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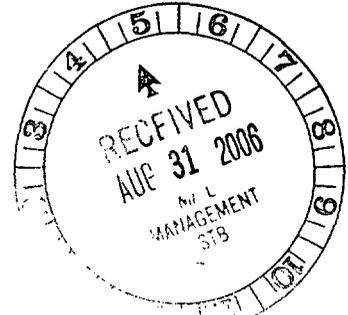
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SURFACE TRANSPORTATION BOARD

August 30, 2006

Via Messenger Delivery

Vernon A. Williams
Secretary
Surface Transportation Board
Washington, D.C. 20423



Dear Secretary Williams:

Pursuant to the provisions of 49 U.S.C. section 11301, I am enclosing for recordation one notarized original and one copy of a Loan and Security Agreement ("Security Agreement"), a primary document, dated as of August 18, 2006 by and among CENTRAL ILLINOIS RAILROAD HOLDINGS LLC, an Illinois limited liability company ("Holdings"), CENTRAL ILLINOIS RAILROAD COMPANY, an Illinois corporation ("Railroad"), CENTRAL RAILGROUP CONSTRUCTION SERVICES LLC, an Illinois limited liability company ("Railgroup") and CENTRAL RAILINK SERVICES LLC, an Illinois limited liability company ("Railink") and THE LEADERS BANK, an Illinois banking corporation.

The Security Agreement grants to Secured Party a security interest in, among other things, all railroad cars, locomotives and other rolling stock, relay rail and other track material, now owned or hereafter acquired by Debtors. Descriptions of the rolling stock are attached to the Security Agreement as Exhibit B, but the property covered by the Security Agreement is not limited to that listed on Exhibit B.

The names and address of the parties to the Security Agreement are:

Secured Party: The Leaders Bank
2001 York Road
Oak Brook, Illinois 60523

Debtors: Central Illinois Railroad Holdings LLC
Central Railgroup Construction Services LLC
Central Railink Services LLC
Central Illinois Railroad Company
123 Market Street, Suite 320
Willow Springs, Illinois 60523

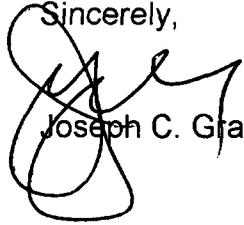
Vernon A. Williams
August 30, 2006
Page 2 of 2

A short summary of the document to appear in the index is:

Loan and Security Agreement ("Security Agreement"), a primary document, dated as of August 18, 2006 by and among CENTRAL ILLINOIS RAILROAD HOLDINGS LLC, an Illinois limited liability company, CENTRAL ILLINOIS RAILROAD COMPANY, an Illinois corporation, CENTRAL RAILGROUP CONSTRUCTION SERVICES LLC, an Illinois limited liability company and CENTRAL RAILINK SERVICES LLC, an Illinois limited liability company and THE LEADERS BANK, an Illinois banking corporation, covering all rolling stock, relay rail and other track material and all other assets of Debtors, now owned or hereafter acquired

I am enclosing our check in the amount of \$34.00 in payment of the filing fee. Please return the original document to the undersigned.

Sincerely,



Joseph C. Grayson

cc: James J. Conlin
The Leaders Bank

SEP 01 '06

9-00 AM

Execution copy

SURFACE TRANSPORTATION BOARD

LOAN AND SECURITY AGREEMENT

This LOAN AND SECURITY AGREEMENT dated as of August 18, 2006 (the "Agreement"), is executed by and among CENTRAL ILLINOIS RAILROAD HOLDINGS LLC, an Illinois limited liability company ("Holdings"), CENTRAL ILLINOIS RAILROAD COMPANY, an Illinois corporation ("Railroad"), CENTRAL RAILGROUP CONSTRUCTION SERVICES LLC, an Illinois limited liability company ("Railgroup") and CENTRAL RAILINK SERVICES LLC, an Illinois limited liability company ("Railink") (individually, a "Borrower" and collectively, the "Borrowers"), and THE LEADERS BANK, an Illinois banking corporation (the "Bank"), having its principal place of business at 2001 York Road, Suite 150, Oak Brook, Illinois 60523.

RECITALS:

A. Borrowers desire to borrow funds and obtain other financial accommodations from the Bank.

B. Pursuant to Borrowers' request, the Bank is willing to extend such financial accommodations to Borrowers under the terms and conditions set forth herein.

NOW THEREFORE, in consideration of the premises, and the mutual covenants and agreements set forth herein, Borrowers agree to borrow from the Bank, and the Bank agrees to lend to Borrowers, subject to and upon the following terms and conditions:

AGREEMENTS:Section 1. DEFINITIONS.

1.1 Defined Terms. For the purposes of this Agreement, the following capitalized words and phrases shall have the meanings set forth below.

"AccuVal Valuation" shall mean the machinery, equipment and inventory appraisal of D.O.T. Rail Service, Inc. dated July 31, 2006 submitted by AccuVal Associates, Incorporated.

"Affiliate" of any Person shall mean (a) any other Person which, directly or indirectly, controls or is controlled by or is under common control with such Person, (b) any officer or director of such Person, and (c) with respect to the Bank, any entity administered or managed by the Bank, or an Affiliate or investment advisor thereof and which is engaged in making, purchasing, holding or otherwise investing in commercial loans. A Person shall be deemed to be "controlled by" any other Person if such Person

possesses, directly or indirectly, power to direct or cause the direction of the management and policies of such Person whether by contract, ownership of voting securities, membership interests or otherwise.

"Asset Disposition" shall mean the sale, lease, assignment or other transfer for value (each a "Disposition") by any Borrower to any Person (other than the Borrowers) of any asset or right of the Borrowers (including, the loss, destruction or damage of any thereof or any actual or threatened (in writing to a Borrower) condemnation, confiscation, requisition, seizure or taking thereof), other than (a) the Disposition of any asset which is to be replaced, and is in fact replaced, within thirty (30) days with another asset performing the same or a similar function, (b) the sale or lease of inventory in the ordinary course of business, and (c) other Dispositions in any fiscal year the net proceeds of which do not in the aggregate exceed \$50,000.

"Bank Product Agreements" shall mean those certain agreements entered into from time to time by any Borrower or any Affiliate with the Bank or any Affiliate of the Bank concerning Bank Products.

"Bank Product Obligations" shall mean all obligations, liabilities, contingent reimbursement obligations, fees, and expenses owing by any Borrower or any Subsidiary to the Bank or any Affiliate of the Bank pursuant to or evidenced by the Bank Product Agreements and irrespective of whether for the payment of money, whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising.

"Bank Products" shall mean any service or facility extended to a Borrower or any Affiliate by the Bank or any Affiliate of the Bank, including: (a) credit cards, (b) credit card processing services, (c) debit cards, (d) purchase cards, (e) ACH Transactions, (f) cash management, including controlled disbursement, accounts or services, or (g) Hedging Agreements.

"Bankruptcy Code" shall mean the United States Bankruptcy Code, as now existing or hereafter amended.

"Borrowers" shall mean, collectively, Holdings, Railroad, Railgroup and Railink.

"Borrowing Base Amount" shall mean: the lesser of (i) an amount equal to (a) eighty percent (80%) of the net amount (after deduction of such reserves and allowances as the Bank deems proper and necessary) of all Eligible Accounts, plus (b) fifty 50% of Eligible Inventory and (ii) One Million Seven Hundred Fifty and 00/100 Dollars (\$1,750,000.00).

"Borrowing Base Certificate" shall mean a certificate to be signed by Holdings certifying to the accuracy of the Borrowing Base Amount in form and substance satisfactory to the Bank.

"Business Day" shall mean any day other than a Saturday, Sunday or a legal holiday on which banks are authorized or required to be closed for the conduct of commercial banking business in Chicago, Illinois.

"Buyer Note" shall have the meaning given such term in the Purchase Agreement.

"Capital Account" shall mean the capital account of the Borrowers as shown on the financial statements delivered to the Bank from time to time pursuant to Section 6.4 hereof.

"Capital Expenditures" shall mean all expenditures (including Capitalized Lease Obligations) which, in accordance with GAAP, would be required to be capitalized and shown on the consolidated balance sheet of the Borrowers, but excluding expenditures made in connection with the replacement, substitution or restoration of assets to the extent financed (i) from insurance proceeds (or other similar recoveries) paid on account of the loss of or damage to the assets being replaced or restored or (ii) with awards of compensation arising from the taking by eminent domain or condemnation of the assets being replaced.

"Capital Lease" shall mean, as to any Person, a lease of any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible, by such Person, as lessee, that is, or should be, in accordance with Financial Accounting Standards Board Statement No. 13, as amended from time to time, or, if such statement is not then in effect, such statement of GAAP as may be applicable, recorded as a "capital lease" on the financial statements of such Person prepared in accordance with GAAP.

"Capital Securities" shall mean, with respect to any Person, all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) of such Person's capital, whether now outstanding or issued or acquired after the date hereof, including common shares, preferred shares, membership interests in a limited liability company, limited or general partnership interests in a partnership or any other equivalent of such ownership interest.

"Capitalized Lease Obligations" shall mean, as to any Person, all rental obligations of such Person, as lessee under a Capital Lease which are or will be required to be capitalized on the books of such Person.

"Cash Equivalent Investment" shall mean, at any time, (a) any evidence of Debt, maturing not more than one year after such time, issued or guaranteed by the United States government or any agency thereof, (b) commercial paper, maturing not

more than one year from the date of issue, or corporate demand notes, in each case (unless issued by the Bank or its holding company) rated at least A-1 by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. or P-1 by Moody's Investors Service, Inc., (c) any certificate of deposit, time deposit or banker's acceptance, maturing not more than one year after such time, or any overnight Federal Funds transaction that is issued or sold by the Bank or its holding company (or by a commercial banking institution that is a member of the Federal Reserve System and has a combined capital and surplus and undivided profits of not less than \$500,000,000), (d) any repurchase agreement entered into with the Bank, or other commercial banking institution of the nature referred to in clause (c), which (i) is secured by a fully perfected security interest in any obligation of the type described in any of clauses (a) through (c) above, and (ii) has a market value at the time such repurchase agreement is entered into of not less than 100% of the repurchase obligation of the Bank, or other commercial banking institution, thereunder, (e) money market accounts or mutual funds which invest exclusively in assets satisfying the foregoing requirements, and (f) other short term liquid investments approved in writing by the Bank.

"Change in Control" shall mean the occurrence of any of the following events: (a) Robert Pachmayer shall cease to own and control, directly or indirectly, at least fifty-one (51%) of the outstanding Capital Securities of Holdings; (b) Pachmayer ceases to be in operating control of Holdings; or (c) the granting by any shareholder of Holdings, directly or indirectly, of a security interest in their ownership interest in Holdings, which could result in a change in the identity of the individuals or entities in control of Holdings. For the purpose hereof, the terms "control" or "controlling" shall mean the possession of the power to direct, or cause the direction of, the management and policies of the Borrowers by contract or voting of securities or ownership interests.

"Collateral" shall have the meaning set forth in Section 6.1 hereof.

"Collateral Access Agreement" shall mean an agreement in form and substance reasonably satisfactory to the Bank pursuant to which a mortgagee or lessor of real property on which Collateral is stored or otherwise located, or a warehouseman, processor or other bailee of Inventory or other property owned by any Borrower or any Subsidiary, acknowledges the Liens of the Bank and waives any Liens held by such Person on such property, and, in the case of any such agreement with a mortgagee or lessor, permits the Bank reasonable access to and use of such real property following the occurrence and during the continuance of an Event of Default to assemble, complete and sell any collateral stored or otherwise located thereon.

"Contingent Liability" and "Contingent Liabilities" shall mean, respectively, each obligation and liability of any Borrower and all such obligations and liabilities of any Borrower incurred pursuant to any agreement, undertaking or arrangement by which the Borrowers: (a) guarantees, endorses or otherwise becomes or is contingently liable upon (by direct or indirect agreement, contingent or otherwise, to provide funds for payment, to supply funds to, or otherwise to invest in, a debtor, or otherwise to

assure a creditor against loss) the indebtedness, dividend, obligation or other liability of any other Person in any manner (other than by endorsement of instruments in the course of collection), including without limitation, any indebtedness, dividend or other obligation which may be issued or incurred at some future time; (b) guarantees the payment of dividends or other distributions upon the shares or ownership interest of any other Person; (c) undertakes or agrees (whether contingently or otherwise): (i) to purchase, repurchase, or otherwise acquire any indebtedness, obligation or liability of any other Person or any property or assets constituting security therefor, (ii) to advance or provide funds for the payment or discharge of any indebtedness, obligation or liability of any other Person (whether in the form of loans, advances, stock purchases, capital contributions or otherwise), or to maintain solvency, assets, level of income, working capital or other financial condition of any other Person, or (iii) to make payment to any other Person other than for value received; (d) agrees to lease property or to purchase securities, property or services from such other Person with the purpose or intent of assuring the owner of such indebtedness or obligation of the ability of such other Person to make payment of the indebtedness or obligation; (e) to induce the issuance of, or in connection with the issuance of, any letter of credit for the benefit of such other Person; or (f) undertakes or agrees otherwise to assure a creditor against loss. The amount of any Contingent Liability shall (subject to any limitation set forth herein) be deemed to be the outstanding principal amount (or maximum permitted principal amount, if larger) of the indebtedness, obligation or other liability guaranteed or supported thereby.

"Debt" shall mean, as to any Person, without duplication, (a) all indebtedness of such Person; (b) all borrowed money of such Person (including principal, interest, fees and charges), whether or not evidenced by bonds, debentures, notes or similar instruments; (c) all obligations to pay the deferred purchase price of property or services; (d) all obligations, contingent or otherwise, with respect to the maximum face amount of all letters of credit (whether or not drawn), bankers' acceptances and similar obligations issued for the account of such Person (including the Letters of Credit), and all unpaid drawings in respect of such letters of credit, bankers' acceptances and similar obligations; (e) all indebtedness secured by any Lien on any property owned by such Person, whether or not such indebtedness has been assumed by such Person (provided, however, if such Person has not assumed or otherwise become liable in respect of such indebtedness, such indebtedness shall be deemed to be in an amount equal to the fair market value of the property subject to such Lien at the time of determination); (f) the aggregate amount of all Capitalized Lease Obligations of such Person; (g) all Contingent Liabilities of such Person, whether or not reflected on its balance sheet; (h) all Hedging Obligations of such Person; (i) all Debt of any partnership of which such Person is a general partner; and (j) all monetary obligations of such Person under (i) a so-called synthetic, off-balance sheet or tax retention lease, or (ii) an agreement for the use or possession of property creating obligations that do not appear on the balance sheet of such Person but which, upon the insolvency or bankruptcy of such Person, would be characterized as the indebtedness of such Person (without regard to accounting treatment). Notwithstanding the

foregoing, Debt shall not include trade payables and accrued expenses incurred by such Person in accordance with customary practices and in the ordinary course of business of such Person.

“Default Rate” shall mean a per annum rate of interest equal to the Prime Rate plus four percent (4%).

“Depreciation” shall mean the total amounts added to depreciation, amortization, obsolescence, valuation and other proper reserves, as reflected on Borrowers’ financial statements and determined in accordance with GAAP.

“EBITDA” shall mean, for any period, (a) the sum for such period of: (i) Net Income, plus (ii) Interest Charges, plus (iii) federal and state income taxes (including the Illinois replacement tax), plus (iv) Depreciation, plus (v) non-cash management compensation expense, plus (vi) all other non-cash charges, minus (b) income or loss attributable to equity in any Affiliate or Subsidiary), in each case to the extent included in determining Net Income for such period.

“Eligible Account” and “Eligible Accounts” shall mean each Account and all such Accounts (exclusive of sales, excise or other similar taxes) owing to Holdings which meets each of the following requirements:

(a) it is genuine in all respects and has arisen in the ordinary course of Borrowers’ business from (i) the performance of services by Holdings, which services have been fully performed, acknowledged and accepted by the Account Debtor or (ii) the sale or lease of Goods by Holdings, including C.O.D. sales, which Goods have been completed in accordance with the Account Debtor’s specifications (if any) and delivered to and accepted by the Account Debtor, and the Holdings has possession of, or has delivered to the Bank at the Bank’s request, shipping and delivery receipts evidencing such delivery;

(b) it is subject to a perfected, first priority Lien in favor of the Bank and is not subject to any other assignment, claim or Lien;

(c) it is the valid, legally enforceable and unconditional obligation of the Account Debtor with respect thereto, and is not subject to the fulfillment of any condition whatsoever or any counterclaim, credit (except as provided in subsection (h) of this definition), trade or volume discount, allowance, discount, rebate or adjustment by the Account Debtor with respect thereto, or to any claim by such Account Debtor denying liability thereunder in whole or in part and the Account Debtor has not refused to accept and/or has not returned or offered to return any of the Goods or services which are the subject of such Account;

(d) the Account Debtor with respect thereto is a resident or citizen of, and is located within, the United States, unless the sale of goods or services

giving rise to such Account is on letter of credit, banker's acceptance or other credit support terms reasonably satisfactory to the Bank;

(e) it is not an Account arising from a "sale on approval", "sale or return", "consignment", "guaranteed sale" or "bill and hold", or are subject to any other repurchase or return agreement;

(f) it is not an Account with respect to which possession and/or control of the goods sold giving rise thereto is held, maintained or retained by Holdings (or by any agent or custodian of Holdings) for the account of, or subject to, further and/or future direction from the Account Debtor with respect thereto;

(g) it has not arisen out of contracts with the United States or any department, agency or instrumentality thereof, unless Borrowers have assigned its right to payment of such Account to the Bank pursuant to the Assignment of Claims Act of 1940, and evidence (satisfactory to the Bank) of such assignment has been delivered to the Bank, or any state, county, city or other governmental body, or any department, agency or instrumentality thereof;

(h) if the Borrowers maintain a credit limit for an Account Debtor, the aggregate dollar amount of Accounts due from such Account Debtor, including such Account, does not exceed such credit limit;

(i) if the Account is evidenced by chattel paper or an instrument, the originals of such chattel paper or instrument shall have been endorsed and/or assigned and delivered to the Bank or, in the case of electronic chattel paper, shall be in the control of the Bank, in each case in a manner satisfactory to the Bank;

(j) such Account is evidenced by an invoice delivered to the related Account Debtor and is not more than (i) ninety (90) days past the due date thereof, according to the original terms of sale;

(k) it is not an Account with respect to an Account Debtor that is located in any jurisdiction which has adopted a statute or other requirement with respect to which any Person that obtains business from within such jurisdiction must file a notice of business activities report or make any other required filings in a timely manner in order to enforce its claims in such jurisdiction's courts unless (i) such notice of business activities report has been duly and timely filed Holdings is exempt from filing such report and has provided the Bank with satisfactory evidence of such exemption or (ii) the failure to make such filings may be cured retroactively by Holdings for a nominal fee;

(l) the Account Debtor with respect thereto is not an Affiliate of Holdings;

(m) such Account does not arise out of a contract or order which, by its terms, forbids or makes void or unenforceable the assignment thereof by Holdings to the Bank and is not unassignable to the Bank for any other reason;

(n) there is no bankruptcy, insolvency or liquidation proceeding pending by or against the Account Debtor with respect thereto, nor has the Account Debtor suspended business, made a general assignment for the benefit of creditors or failed to pay its debts generally as they come due, and/or no condition or event has occurred having a Material Adverse Effect on the Account Debtor which would require the Accounts of such Account Debtor to be deemed uncollectible in accordance with GAAP;

(o) it is not owed by an Account Debtor with respect to which twenty five (25%) or more of the aggregate amount of outstanding Accounts owed at such time by such Account Debtor is classified as ineligible under clause (j) of this definition;

(p) if the aggregate amount of all Accounts owed by the Account Debtor thereon exceeds Thirty five percent (35.00%) of the aggregate amount of all Accounts at such time, then all Accounts owed by such Account Debtor in excess of such amount shall be deemed ineligible; and

(q) it does not violate the negative covenants and does satisfy the affirmative covenants of Holdings contained in this Agreement, and it is otherwise not unacceptable to the Bank for any other reason-

An Account which is at any time an Eligible Account, but which subsequently fails to meet any of the foregoing requirements, shall forthwith cease to be an Eligible Account. Further, with respect to any Account, if the Bank at any time hereafter determine in its discretion that the prospect of payment or performance by the Account Debtor with respect thereto is materially impaired for any reason whatsoever, such Account shall cease to be an Eligible Account after notice of such determination is given to Holdings.

"Eligible Inventory" shall mean all Inventory of any Borrower or any Subsidiary which meets each of the following requirements:

(a) it is subject to a perfected, first priority Lien in favor of the Bank and is not subject to any other assignment, claim or Lien;

(b) it is salable and not slow-moving, obsolete or discontinued, as determined in the sole and absolute discretion of the Bank;

(c) it is in the possession and control of the Borrower or any Subsidiary and it is stored and held in facilities owned by the Borrower or any Subsidiary or, if such facilities are not so owned, the Bank is in possession of a Collateral Access Agreement with respect thereto; (d) it is not Inventory produced in

violation of the Fair Labor Standards Act and subject to the "hot goods" provisions contained in Title 29 U.S.C. §215;

(d) it is not subject to any agreement or license which would restrict the Bank's ability to sell or otherwise dispose of such Inventory;

(e) it is located in the United States or in any territory or possession of the United States that has adopted Article 9 of the Uniform Commercial Code;

(f) it is not "in transit" to the Borrower [or any Subsidiary] or held by the Borrower [or any Subsidiary] on consignment;

(g) it is not "work-in-progress" Inventory;

(h) it is not supply items, packaging or any other similar materials;

(i) it is not identified to any purchase order or contract to the extent progress or advance payments are received with respect to such Inventory;

(j) it does not breach any of the representations, warranties or covenants pertaining to Inventory set forth in the Loan Documents;

(k) the Bank shall not have determined in its reasonable discretion that it is unacceptable due to age, type, category, quality, quantity and/or any other reason whatsoever; and

(l) it has not been identified to customer jobs and deliveries with the result that that a buyer would have rights to the goods that would be superior to the Bank's security interest, nor shall such inventory have become the subject of a customer's ownership or lien.

Inventory which is at any time Eligible Inventory but which subsequently fails to meet any of the foregoing requirements shall forthwith cease to be Eligible Inventory.

"Employee Plan" includes any pension, stock bonus, employee stock ownership plan, retirement, profit sharing, deferred compensation, stock option, bonus or other incentive plan, whether qualified or nonqualified, or any disability, medical, dental or other health plan, life insurance or other death benefit plan, vacation benefit plan, severance plan or other employee benefit plan or arrangement, including, without limitation, those pension, profit-sharing and retirement plans of the Borrowers described from time to time in the financial statements of the Borrowers and any pension plan, welfare plan, Defined Benefit Pension Plans (as defined in ERISA) or any multi-employer plan, maintained or administered by Borrowers or to which Borrowers are a party or may have any liability or by which Borrowers are bound.

"Environmental Indemnity Agreement" means the certain Environmental Indemnity Agreement of even date herewith executed by the Borrowers, as the same from time to time may be amended.

"Environmental Laws" shall mean all present or future federal, state or local laws, statutes, common law duties, rules, regulations, ordinances and codes, together with all administrative or judicial orders, consent agreements, directed duties, requests, licenses, authorizations and permits of, and agreements with, any governmental authority, in each case relating to any matter arising out of or relating to public health and safety, or pollution or protection of the environment or workplace, including any of the foregoing relating to the presence, use, production, generation, handling, transport, treatment, storage, disposal, distribution, discharge, emission, release, threatened release, control or cleanup of any Hazardous Substance.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time.

"Event of Default" shall mean any of the events or conditions which are set forth in Section 11 hereof.

"Federal Funds Rate" shall mean, for any day, a fluctuating interest rate equal for each day during such period to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for such day on such transactions received by the Bank from three Federal funds brokers of recognized standing selected by the Bank. The Bank's determination of such rate shall be binding and conclusive absent manifest error.

"Funded Debt" shall mean, as to any Person, all Debt of such Person that matures more than one year from the date of its creation (or is renewable or extendible, at the option of such Person, to a date more than one year from such date).

"GAAP" shall mean generally accepted accounting principles set forth from time to time in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board (or agencies with similar functions of comparable stature and authority within the U.S. accounting profession), which are applicable to the circumstances as of the date of determination, provided, however, that interim financial statements or reports shall be deemed in compliance with GAAP despite the absence of footnotes and fiscal year-end adjustments as required by GAAP.

"Guarantor" shall mean Robert Pachmayer.

"Guaranty" shall have the meaning set forth in Section 3.1 hereof.

"Hazardous Substances" shall mean (a) any petroleum or petroleum products, radioactive materials, asbestos in any form that is or could become friable, urea formaldehyde foam insulation, dielectric fluid containing levels of polychlorinated biphenyls, radon gas and mold; (b) any chemicals, materials, pollutant or substances defined as or included in the definition of "hazardous substances", "hazardous waste", "hazardous materials", "extremely hazardous substances", "restricted hazardous waste", "toxic substances", "toxic pollutants", "contaminants", "pollutants" or words of similar import, under any applicable Environmental Law; and (c) any other chemical, material or substance, the exposure to, or release of which is prohibited, limited or regulated by any governmental authority or for which any duty or standard of care is imposed pursuant to, any Environmental Law.

"Hedging Agreement" shall mean any interest rate, currency or commodity swap agreement, cap agreement or collar agreement, and any other agreement or arrangement designed to protect a Person against fluctuations in interest rates, currency exchange rates or commodity prices.

"Hedging Obligation" shall mean, with respect to any Person, any liability of such Person under any Hedging Agreement.

"Indemnified Party" and "Indemnified Parties" shall mean, respectively, each of the Bank and any parent corporation, Affiliate or Subsidiary of the Bank, and each of their respective officers, directors, employees, attorneys and agents, and all of such parties and entities.

"Intellectual Property" shall mean the collective reference to all rights, priorities and privileges relating to intellectual property, whether arising under United States, multinational or foreign laws or otherwise, including copyrights, patents, service marks and trademarks, and all registrations and applications for registration therefor and all licensees thereof, trade names, domain names, technology, know-how and processes, and all rights to sue at law or in equity for any infringement or other impairment thereof, including the right to receive all proceeds and damages therefrom.

"Interest Charges" shall mean, for any period, the sum of: (a) all interest, charges and related expenses payable with respect to that fiscal period to a lender in connection with borrowed money or the deferred purchase price of assets that are treated as interest in accordance with GAAP, plus (b) the portion of Capitalized Lease Obligations with respect to that fiscal period that should be treated as interest in accordance with GAAP, plus (c) all charges paid or payable (without duplication) during that period with respect to any Hedging Agreements.

"Investment" shall mean, with respect to any Person, any investment in another Person, whether by acquisition of any debt or equity security, by making any loan or advance, by becoming obligated with respect to a Contingent Liability in respect

of obligations of such other Person (other than travel and similar advances to employees in the ordinary course of business).

“Liabilities” shall mean at all times all liabilities of all Borrowers that would be shown as such on a balance sheet of any Borrower prepared in accordance with GAAP.

“Lien” shall mean, with respect to any Person, any interest granted by such Person in any real or personal property, asset or other right owned or being purchased or acquired by such Person (including, without limitation, an interest in respect of a Capital Lease) which secures payment or performance of any obligation and shall include any mortgage, lien, encumbrance, title retention lien, charge or other security interest of any kind, whether arising by contract, as a matter of law, by judicial process or otherwise.

“Loans” shall mean, collectively, all Revolving Loans and the Term Loan made by the Bank to the Borrowers, under and pursuant to this Agreement.

“Loan Documents” shall mean each of the agreements, documents, instruments and certificates set forth in Section 3.1 hereof, and any and all such other instruments, documents, certificates and agreements from time to time executed and delivered by the Borrowers, the Guarantor or any of their Affiliates for the benefit of the Bank pursuant to any of the foregoing, and all amendments, restatements, supplements and other modifications thereto.

“Material Adverse Effect” shall mean (a) a material adverse change in, or a material adverse effect upon, the assets, business, properties, financial condition or results of operations of any Borrower taken as a whole, (b) a material impairment of the ability of any Borrower to perform any of the Obligations under any of the Loan Documents, or (c) a material adverse effect on (i) any substantial portion of the Collateral, (ii) the legality, validity, binding effect or enforceability against the Borrowers of any of the Loan Documents, (iii) the perfection or priority of any Lien granted to the Bank under any Loan Document, or (iv) the rights or remedies of the Bank under any Loan Document.

“Net Cash Proceeds” shall mean:

(a) with respect to any Asset Disposition, the aggregate cash proceeds (including cash proceeds received pursuant to policies of insurance or by way of deferred payment of principal pursuant to a note, installment receivable or otherwise, but only as and when received) received by the Borrowers pursuant to such Asset Disposition net of (i) the direct costs relating to such sale, transfer or other disposition (including sales commissions and legal, accounting and investment banking fees), (ii) taxes paid or reasonably estimated by the Borrowers to be payable as a result thereof (after taking into account any available tax credits or deductions and any tax sharing arrangements), and (iii)

amounts required to be applied to the repayment of any Debt secured by a Lien on the asset subject to such Asset Disposition (other than the Loans);

(b) with respect to any issuance of Capital Securities, the aggregate cash proceeds received by the Borrowers pursuant to such issuance, net of the direct costs relating to such issuance (including sales and underwriters' commissions; and

(c) with respect to any issuance of Debt, the aggregate cash proceeds received by the Borrowers pursuant to such issuance, net of the direct costs of such issuance (including up-front, underwriters' and placement fees).

"Net Income" shall mean, with respect to the Borrowers for any period, the net income (or loss) of the Borrowers for such period as determined in accordance with GAAP, excluding any gains from Asset Dispositions, any extraordinary gains and any gains from discontinued operations

"Non-Excluded Taxes" shall have the meaning set forth in Section 2.7(a) hereof.

"Note" and "Notes" shall mean, respectively, each of and collectively, the Revolving Note and the Term Note.

"Obligations" shall mean the Loans, as evidenced by any Note, all interest accrued thereon (including interest which would be payable as post-petition in connection with any bankruptcy or similar proceeding, whether or not permitted as a claim thereunder), any fees due the Bank hereunder, any expenses incurred by the Bank hereunder and any and all other liabilities and obligations of the Borrowers to the Bank under this Agreement and any other Loan Document, including any reimbursement obligations of the Borrowers in respect of Letters of Credit and surety bonds, all Hedging Obligations of the Borrowers which are owed to the Bank or any Affiliate of the Bank, and all Bank Product Obligations of the Borrowers, all in each case howsoever created, arising or evidenced, whether direct or indirect, absolute or contingent, now or hereafter existing, or due or to become due, together with any and all renewals or extensions thereof.

"Obligor" shall mean each Borrower, Guarantor, accommodation endorser, third party pledgor, or any other party liable with respect to the Obligations.

"Organizational Identification Number" means, with respect to each Borrower, the organizational identification number assigned to such Borrower by the applicable governmental unit or agency of the jurisdiction of organization of such Borrower.

"Other Taxes" shall mean any present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies which arise from

the execution, delivery, enforcement or registration of, or otherwise with respect to, this Agreement or any of the other Loan Documents.

"Permitted Liens" shall mean (a) Liens for Taxes, assessments or other governmental charges not at the time delinquent or thereafter payable without penalty or being contested in good faith by appropriate proceedings and, in each case, for which it maintains adequate reserves in accordance with GAAP and in respect of which no Lien has been filed; (b) Liens arising in the ordinary course of business (such as (i) Liens of carriers, warehousemen, mechanics and materialmen and other similar Liens imposed by law, and (ii) Liens in the form of deposits or pledges incurred in connection with worker's compensation, unemployment compensation and other types of social security (excluding Liens arising under ERISA) or in connection with surety bonds, bids, performance bonds and similar obligations) for sums not overdue or being contested in good faith by appropriate proceedings and not involving any advances or borrowed money or the deferred purchase price of property or services, which do not in the aggregate materially detract from the value of the property or assets of Borrowers or materially impair the use thereof in the operation of Borrowers' businesses and, in each case, for which it maintains adequate reserves in accordance with GAAP and in respect of which no Lien has been filed; (c) Liens described on Schedule 9.2 as of the Closing Date; (d) attachments, appeal bonds, judgments and other similar Liens, for sums not exceeding Twenty-Five Thousand and 00/100 Dollars (\$25,000) arising in connection with court proceedings, provided the execution or other enforcement of such Liens is effectively stayed and the claims secured thereby are being actively contested in good faith and by appropriate proceedings and to the extent such judgments or awards do not constitute an Event of Default under Section 11.8 hereof; (e) easements, rights of way, restrictions, minor defects or irregularities in title and other similar Liens not interfering in any material respect with the ordinary conduct of the business of any Borrower; (f) subject to the limitation set forth in Section 9.1(g), Liens arising in connection with Capitalized Lease Obligations (and attaching only to the property being leased); (g) subject to the limitation set forth in Section 9.1(h), Liens that constitute purchase money security interests on any property securing Debt incurred for the purpose of financing all or any part of the cost of acquiring such property, provided that any such Lien attaches to such property within twenty (20) days of the acquisition thereof and attaches solely to the property so acquired; and (h) Liens granted to the Bank hereunder and under the Loan Documents.

"Person" shall mean any natural person, partnership, limited liability company, corporation, trust, joint venture, joint stock company, association, unincorporated organization, government or agency or political subdivision thereof, or other entity, whether acting in an individual, fiduciary or other capacity.

"Prime Loan" or "Prime Loans" shall mean that portion, and collectively, those portions of the aggregate outstanding principal balance of the Loans that bear interest based on the Prime Rate.

"Prime Rate" shall mean the floating per annum rate of interest which at any time, and from time to time, shall be most recently announced by the Bank as its Prime Rate, which is not intended to be the Bank's lowest or most favorable rate of interest at any one time. The effective date of any change in the Prime Rate shall for purposes hereof be the date the Prime Rate is changed by the Bank. The Bank shall not be obligated to give notice of any change in the Prime Rate.

"Purchase Agreement" shall mean the Purchase Agreement dated June 29, 2006 by and among Central Illinois Railroad Holdings LLC and D.O.T. Rail Service, Inc., D.O.T. Rail Service of Indiana, Inc., Chicago Heights Switching Company, Heartland Track Works, Inc., Paula J. Mudge-Gibson and Don L. Gibson.

"Regulatory Change" shall mean the introduction of, or any change in any applicable law, treaty, rule, regulation or guideline or in the interpretation or administration thereof by any governmental authority or any central bank or other fiscal, monetary or other authority having jurisdiction over the Bank or its lending office.

"Revolving Interest Rate" shall mean the floating per annum rate of interest equal to the Prime Rate plus 1% (i.e., 100 basis points over prime).

"Revolving Loan" and "Revolving Loans" shall mean, respectively, each direct advance and the aggregate of all such direct advances made by the Bank to Borrowers under and pursuant to this Agreement, as set forth in Section 2.1 of this Agreement.

"Revolving Loan Availability" shall mean, at any time, an amount equal to the lesser of (a) the Revolving Loan Commitment, or (b) the total of the Borrowing Base Amount.

"Revolving Loan Commitment" shall mean One Million Seven Hundred Fifty Thousand and 00/100 Dollars (\$1,750,000.00).

"Revolving Loan Maturity Date" shall mean August 14, 2007, unless extended by the Bank pursuant to any modification, extension or renewal note executed by the Borrowers and accepted by the Bank in its sole and absolute discretion in substitution for the Revolving Note.

"Revolving Note" shall mean a revolving note in the form prepared by and acceptable to the Bank, dated as of the date hereof, in the amount of the Revolving Loan Commitment and maturing on the Revolving Loan Maturity Date, duly executed by the Borrowers and payable to the order of the Bank, together with any and all renewal, extension, modification or replacement notes executed by the Borrowers and delivered to the Bank and given in substitution therefor.

"Senior Debt" shall mean all Debt of any Borrower other than Subordinated Debt.

"Subordinated Debt" shall mean that portion of the Debt of a Borrower which is subordinated to the Obligations in a manner satisfactory to the Bank, including, but not limited to, right and time of payment of principal and interest.

"Subsidiary" and "Subsidiaries" shall mean, respectively, with respect to any Person, each and all such corporations, partnerships, limited partnerships, limited liability companies, limited liability partnerships, joint ventures or other entities of which or in which such Person owns, directly or indirectly, such number of outstanding Capital Securities as have more than fifty percent (50.00%) of the ordinary voting power for the election of directors or other managers of such corporation, partnership, limited liability company or other entity. Unless the context otherwise requires, each reference to Subsidiaries herein shall be a reference to Subsidiaries of a Borrower.

"Surface Transportation Board" shall mean the Surface Transportation Board of the U.S. Department of Transportation.

"Targets" shall mean D.O.T. Rail Service, Inc., D.O.T. Rail Service of Indiana, Inc., Chicago Heights Switching Company, Heartland Track Works, Inc. and Central Illinois Railroad Company.

"Taxes" shall mean any and all present and future taxes, duties, levies, imposts, deductions, assessments, charges or withholdings, and any and all liabilities (including interest and penalties and other additions to taxes) with respect to the foregoing.

"Term Interest Rate" shall mean an annual rate of 9% per annum.

"Term Loan" shall mean the direct advance made by the Bank to the Borrowers in the form of a term loan under and pursuant to this Agreement, as set forth in Section 2.2 of this Agreement.

"Term Loan Commitment" shall mean One Million Eight Hundred Thousand and 00/100 Dollars (\$1,800,000.00).

"Term Loan Maturity Date" shall mean August 14, 2009, unless extended by the Bank pursuant to any modification, extension or renewal note executed by the Borrowers and accepted by the Bank in its sole and absolute discretion in substitution for the Term Note.

"Term Note" shall mean a term note in the form prepared by and acceptable to the Bank, dated as of the date hereof, in the amount of the Term Loan Commitment and maturing on the Term Loan Maturity Date, duly executed by the Borrowers and payable to the order of the Bank, together with any and all renewal,

extension, modification or replacement notes executed by the Borrowers and delivered to the Bank and given in substitution therefor.

"Total Debt" shall mean all Debt of the Borrowers, determined on a consolidated basis, excluding (i) Contingent Liabilities (except to the extent constituting Contingent Liabilities in respect of the Debt of a Person other than the Borrowers or any Subsidiaries), (ii) Hedging Obligations, and (iii) Debt of the Borrowers to Subsidiaries and Debt of Subsidiaries to the Borrowers or to other Affiliates.

"UCC" shall mean the Uniform Commercial Code in effect in the state of Illinois from time to time.

"Unmatured Event of Default" shall mean any event which, with the giving of notice, the passage of time or both, would constitute an Event of Default.

"Voidable Transfer" shall have the meaning set forth in Section 13.21 hereof.

"Wholly-Owned Subsidiary" shall mean any Subsidiary of which or in which any Borrower owns, directly or indirectly, one hundred percent (100%) of the Capital Securities of such Subsidiary.

"Working Capital" shall mean the total of cash on hand, cash equivalents, marketable securities, Accounts minus adequate reserves for doubtful Accounts, and readily salable Inventory at the lower of cost or market value, minus the total of all liabilities payable within one year, all as determined in accordance with GAAP.

1.2 Accounting Terms. Any accounting terms used in this Agreement which are not specifically defined herein shall have the meanings customarily given them in accordance with GAAP. Calculations and determinations of financial and accounting terms used and not otherwise specifically defined hereunder and the preparation of financial statements to be furnished to the Bank pursuant hereto shall be made and prepared, both as to classification of items and as to amount, in accordance with sound accounting practices and GAAP as used in the preparation of the financial statements of the Borrowers on the date of this Agreement. If any changes in accounting principles or practices from those used in the preparation of the financial statements are hereafter occasioned by the promulgation of rules, regulations, pronouncements and opinions by or required by the Financial Accounting Standards Board or the American Institute of Certified Public Accountants (or any successor thereto or agencies with similar functions), which results in a material change in the method of accounting in the financial statements required to be furnished to the Bank hereunder or in the calculation of financial covenants, standards or terms contained in this Agreement, the parties hereto agree to enter into good faith negotiations to amend such provisions so as equitably to reflect such changes to the end that the criteria for evaluating the financial condition and performance of the Borrowers will be the same after such changes as they were before such changes; and if the parties fail to agree on the amendment of

such provisions, the Borrowers will furnish financial statements in accordance with such changes, but shall provide calculations for all financial covenants, perform all financial covenants and otherwise observe all financial standards and terms in accordance with applicable accounting principles and practices in effect immediately prior to such changes. Calculations with respect to financial covenants required to be stated in accordance with applicable accounting principles and practices in effect immediately prior to such changes shall be reviewed and certified by Borrowers' accountants.

1.3 Other Terms Defined in UCC. All other capitalized words and phrases used herein and not otherwise specifically defined herein shall have the respective meanings assigned to such terms in the UCC, to the extent the same are used or defined therein.

1.4 Other Interpretive Provisions.

(a) The meanings of defined terms are equally applicable to the singular and plural forms of the defined terms. Whenever the context so requires, the neuter gender includes the masculine and feminine, the single number includes the plural, and vice versa, and in particular the word "Borrowers" shall be so construed.

(b) Section and Schedule references are to this Agreement unless otherwise specified. The words "hereof", "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement

(c) The term "including" is not limiting, and means "including, without limitation".

(d) In the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including"; the words "to" and "until" each mean "to but excluding", and the word "through" means "to and including".

(e) Unless otherwise expressly provided herein, (i) references to agreements (including this Agreement and the other Loan Documents) and other contractual instruments shall be deemed to include all subsequent amendments, restatements, supplements and other modifications thereto, but only to the extent such amendments, restatements, supplements and other modifications are not prohibited by the terms of any Loan Document, and (ii) references to any statute or regulation shall be construed as including all statutory and regulatory provisions amending, replacing, supplementing or interpreting such statute or regulation.

(f) To the extent any of the provisions of the other Loan Documents are inconsistent with the terms of this Loan Agreement, the provisions of this Loan Agreement shall govern.

(g) This Agreement and the other Loan Documents may use several different limitations, tests or measurements to regulate the same or similar matters. All such limitations, tests and measurements are cumulative and each shall be performed in accordance with its terms.

(h) The Bank and Borrowers and their respective legal counsels have reviewed and commented on this document. Accordingly, the usual rule of construction to the effect that any ambiguities are to be construed or resolved against the drafting party shall not be used in the interpretation of this document.

Section 2. COMMITMENT OF THE BANK.

2.1 Revolving Loans.

(a) Revolving Loan Commitment. Subject to the terms and conditions of this Agreement and the other Loan Documents, and in reliance upon the representations and warranties of the Borrowers set forth herein and in the other Loan Documents, the Bank agrees to make such Revolving Loans at such times as Holdings may from time to time request until, but not including, the Revolving Loan Maturity Date, and in such amounts as Holdings may from time to time request, provided, however, that the aggregate principal balance of all Revolving Loans outstanding at any time shall not exceed the Revolving Loan Availability. Revolving Loans made by the Bank may be repaid and, subject to the terms and conditions hereof, borrowed again up to, but not including the Revolving Loan Maturity Date unless the Revolving Loans are otherwise accelerated, terminated or extended as provided in this Agreement. The Revolving Loans shall be used by Holdings for the purpose of working capital or otherwise permitted by this Agreement.

(b) Revolving Loan Interest and Payments. Except as otherwise provided in this Section 2.1(b), the principal amount of the Revolving Loans outstanding from time to time shall bear interest at the applicable Revolving Interest Rate. Accrued and unpaid interest on the unpaid principal balance of all Revolving Loans outstanding from time to time which are Prime Loans, shall be due and payable monthly, in arrears, commencing on the last Business Day of August 2006 and continuing on the last Business Day of each calendar month thereafter, and on the Revolving Loan Maturity Date. Any amount of principal or interest on the Revolving Loans which is not paid when due, whether at stated maturity, by acceleration or otherwise, shall bear interest payable on demand at the Default Rate.

(c) Revolving Loan Principal Payments.

(i) Revolving Loan Mandatory Payments. All Revolving Loans hereunder shall be repaid by the Borrowers on the Revolving Loan Maturity Date, unless payable sooner pursuant to the provisions of this Agreement. In the event the aggregate outstanding principal balance of all Revolving Loans hereunder exceeds the Revolving Loan Availability, the Borrowers shall, without notice or demand of any kind, immediately make such repayments of the Revolving Loans or take such other actions as are satisfactory to the Bank as shall be necessary to eliminate such excess.

(ii) Optional Prepayments. Borrowers may from time to time prepay the Revolving Loans which are Prime Loans, in whole or in part, without any prepayment penalty whatsoever, provided that any prepayment of the entire principal balance of the Prime Loans shall include accrued interest on such Prime Loans to the date of such prepayment.

2.2 Term Loan.

(a) Term Loan Commitment. Subject to the terms and conditions of this Agreement and the other Loan Documents, and in reliance upon the representations and warranties of the Borrowers set forth herein and in the other Loan Documents, the Bank agrees to make a Term Loan equal to the Term Loan Commitment. The Term Loan shall be available to Borrowers in a single principal advance on such date as the conditions set forth in Section 3 shall have been satisfied. The Term Loan may be prepaid in whole or in part at any time without penalty, but shall be due in full on the Term Loan Maturity Date, unless the credit extended under the Term Loan is otherwise accelerated, terminated or extended as provided in this Agreement.

(b) Term Loan Interest and Payments. Except as otherwise provided in this Section 2.2(b), the principal amount of the Term Loan outstanding from time to time shall bear interest at the applicable Term Interest Rate. Borrowers shall make monthly payments of principal and interest in the amount of \$28,961 each commencing September 15, 2006, continuing on the 15th day of each month thereafter until the Term Maturity Date. Any amount of principal or interest on the Term Loan which is not paid when due, whether at stated maturity, by acceleration or otherwise, shall bear interest payable on demand at the Default Rate.

(c) Term Loan Interest and Principal Payments. The outstanding principal balance of the Term Loan shall be repaid on the Term Loan Maturity Date. Principal amounts repaid on the Term Note may not be borrowed again.

(d) Term Loan Optional Prepayments.

(i) Provided that no Event of Default then exists under this Agreement or the Loans, Borrowers may voluntarily prepay the principal balance of the Term Loan, in whole or in part at any time on or after the date hereof, subject to the following conditions:

(A) Not less than ten (10) days prior to the date upon which the Borrowers desire to make such prepayment, the Borrower shall deliver to the Bank written notice of its intention to prepay the Term Loan, which notice shall be irrevocable and state the prepayment amount and the prepayment date (the "Term Loan Prepayment Date");

(B) The Borrowers shall pay to the Bank all accrued and unpaid interest on the Term Loan through the date of such prepayment on the principal balance being prepaid.

2.3 Interest and Fee Computation; Collection of Funds. Except as otherwise set forth herein, all interest and fees shall be calculated on the basis of a year consisting of 360 days and shall be paid for the actual number of days elapsed. Principal payments submitted in funds not immediately available shall continue to bear interest until collected. If any payment to be made by the Borrowers hereunder or under any Note shall become due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day and such extension of time shall be included in computing any interest in respect of such payment. Notwithstanding anything to the contrary contained herein, the final payment due under any of the Loans must be made by wire transfer or other immediately available funds. All payments made by the Borrowers hereunder or under any of the Loan Documents shall be made without setoff, counterclaim, or other defense. To the extent permitted by applicable law, all payments hereunder or under any of the Loan Documents (including any payment of principal, interest, or fees) to, or for the benefit, of any Person shall be made by the Borrowers free and clear of, and without deduction or withholding for, or account of, any taxes now or hereinafter imposed by any taxing authority.

2.4 Taxes.

(a) All payments made by the Borrowers under this Agreement shall be made free and clear of, and without deduction or withholding for or on account of, any present or future income, stamp or other taxes, levies, imposts, duties, charges, fees, deductions or withholdings, now or hereafter imposed, levied, collected, withheld or assessed by any governmental authority, excluding net income taxes and franchise taxes (imposed in lieu of net income taxes) imposed on the Bank as a result of a present or former connection between the Bank and the jurisdiction of the governmental authority imposing such tax or any political subdivision or taxing authority thereof or therein (other than any such connection

arising solely from the Bank having executed, delivered or performed its obligations or received a payment under, or enforced, this Agreement or any other Loan Document). If any such non-excluded taxes, levies, imposts, duties, charges, fees, deductions or withholdings (collectively, "Non-Excluded Taxes") or Other Taxes are required to be withheld from any amounts payable to the Bank hereunder, the amounts so payable to the Bank shall be increased to the extent necessary to yield to the Bank (after payment of all Non-Excluded Taxes and Other Taxes) interest or any such other amounts payable hereunder at the rates or in the amounts specified in this Agreement, provided, however, that the Borrowers shall not be required to increase any such amounts payable to the Bank with respect to any Non-Excluded Taxes that are attributable to the Bank's failure to comply with the requirements of subsection 2.7(c).

(b) The Borrowers shall pay any Other Taxes to the relevant governmental authority in accordance with applicable law.

(c) At the request of the Borrowers and at Borrowers' sole cost, the Bank shall take reasonable steps to (i) contest its liability for any Non-Excluded Taxes or Other Taxes that have not been paid, or (ii) seek a refund of any Non-Excluded Taxes or Other Taxes that have been paid.

(d) Whenever any Non-Excluded Taxes or Other Taxes are payable by the Borrowers, as promptly as possible thereafter the Borrowers shall send to the Bank a certified copy of an original official receipt received by the Borrowers showing payment thereof. If the Borrowers fail to pay any Non-Excluded Taxes or Other Taxes when due to the appropriate taxing authority or fails to remit to the Bank the required receipts or other required documentary evidence or if any governmental authority seeks to collect a Non-Excluded Tax or Other Tax directly from the Bank for any other reason, the Borrowers shall indemnify the Bank on an after-tax basis for any incremental taxes, interest or penalties that may become payable by the Bank.

(e) The agreements in this Section shall survive the satisfaction and payment of the Obligations and the termination of this Agreement.

2.5 All Loans to Constitute Single Obligation. The Loans shall constitute one general obligation of all Borrowers, and shall be secured by Bank's priority security interest in and Lien upon all of the Collateral and by all other security interests, Liens, claims and encumbrances heretofore, now or at any time or times hereafter granted by any Borrower and/or any Affiliates to Bank.

Section 3. CONDITIONS OF BORROWING.

Notwithstanding any other provision of this Agreement, the Bank shall not be required to disburse, make or continue all or any portion of the Loans, if any of the following conditions shall have occurred.

3.1 Loan Documents. The Borrowers shall have failed to execute and deliver to the Bank any of the following Loan Documents, all of which must be satisfactory to the Bank and the Bank's counsel in form, substance and execution:

(a) Loan Agreement. Two copies of this Agreement duly executed by the Borrowers.

(b) Revolving Note. A Revolving Note duly executed by the Borrowers, in the form prepared by and acceptable to the Bank.

(c) Term Note. A Term Note duly executed by the Borrowers, in the form prepared by and acceptable to the Bank.

(d) Guaranty. Continuing Unconditional Limited Guaranty dated as of the date of this Agreement, executed by Guarantor to and for the benefit of the Bank, in the form prepared by and acceptable to the Bank (the "Guaranty").

(e) Security Agreement. A Security Agreement dated as of the date of this Agreement, executed by Borrowers, in the form prepared by and acceptable to the Bank.

(f) Subordination Agreement. A Subordination Agreement dated as of the date of this Agreement, from each holder of Subordinated Debt, in the form prepared by and acceptable to the Bank (the "Subordination Agreement")

(g) Borrowing Base Certificate. A Borrowing Base Certificate in the form prepared by the Bank, certified as accurate by Holdings and acceptable to the Bank in its sole discretion.

(h) Search Results; Lien Terminations. Copies of UCC and Surface Transportation Board search reports dated such a date as is reasonably acceptable to the Bank, listing all effective financing statements which names each Borrower, under their present names and any previous names, as debtors, together with (i) copies of such financing statements, (ii) payoff letters evidencing repayment in full of all existing Debt to be repaid with the Loans, the termination of all agreements relating thereto and the release of all Liens granted in connection therewith, with UCC or other appropriate termination statements and documents including all necessary filings with Surface Transportation Board effective to evidence the foregoing (other than Permitted Liens), and (iii) such other termination statements as the Bank may reasonably request.

(i) Organizational and Authorization Document. Copies of (i) the Articles of Incorporation and Bylaws or Articles of Organization and Operating Agreement, as applicable of each Borrower; (ii) resolutions of the board of directors of Railroad and the managers and members, if necessary, of Holdings,

Railgroup and Railink approving and authorizing such Person's execution, delivery and performance of the Loan Documents to which it is party and the transactions contemplated thereby; (iii) signature and incumbency certificates of the officers, directors, managers, and members, as applicable of each Borrower, executing any of the Loan Documents, each of which the Borrowers hereby certifies to be true and complete, and in full force and effect without modification, it being understood that the Bank may conclusively rely on each such document and certificate until formally advised by the Borrowers of any changes therein; and (iv) good standing certificates in the state of organization of the Borrowers and in each other state requested by the Bank.

(j) Insurance. Evidence satisfactory to the Bank of the existence of insurance required to be maintained pursuant to Section 8.6, together with evidence that the Bank has been named as a lender's loss payee and as an additional insured on all related insurance policies.

(k) Closing of Purchase Agreement. Evidence satisfactory to the Bank of the closing of the Purchase Agreement and acquisition of the Targets.

(l) Third Party Consents. Copies of all consents of third parties as set forth on Exhibit A.

(m) Final AccuVal Valuation. A complete copy of the final version of the AccuVal Valuation.

(n) Guarantor Information. Signed original current personal financial statements and copies of the most recently filed federal income tax returns of each Guarantor.

(m) Additional Documents. Such other certificates, financial statements, schedules, resolutions, opinions of counsel, notes and other documents which are provided for hereunder or which the Bank shall require.

3.2 Event of Default. Any Event of Default, or Unmatured Event of Default shall have occurred and be continuing.

3.3 Material Adverse Effect. The occurrence of any event having a Material Adverse Effect upon the Borrowers.

3.4 Litigation. Any litigation or governmental proceeding shall have been instituted against any Borrower or any of its officers or shareholders having a Materially Adverse Effect upon any Borrower.

3.5 Representations and Warranties. Any representation or warranty of the Borrowers contained herein or in any Loan Document shall be untrue or incorrect in any

material respect as of the date of any Loan as though made on such date, except to the extent such representation or warranty expressly relates to an earlier date.

3.6 Commitment Fee. The Borrowers shall have failed to pay to the Bank a commitment fee in the amount of Fifteen Thousand Dollars (\$15,000).

Section 4. NOTES EVIDENCING LOANS.

4.1 Revolving Note. The Revolving Loans shall be evidenced by the Revolving Note. At the time of the initial disbursement of a Revolving Loan and at each time any additional Revolving Loan shall be requested hereunder or a repayment made in whole or in part thereon, a notation thereof shall be made on the books and records of the Bank. All amounts recorded shall be, absent manifest error, conclusive and binding evidence of (i) the principal amount of the Revolving Loans advanced hereunder, (ii) any accrued and unpaid interest owing on the Revolving Loans, and (iii) all amounts repaid on the Revolving Loans. The failure to record any such amount or any error in recording such amounts shall not, however, limit or otherwise affect the obligations of the Borrowers under the Revolving Note to repay the principal amount of the Revolving Loans, together with all interest accruing thereon.

4.2 Term Note. The Term Loan shall be evidenced by the Term Note. At the time of the disbursement of the Term Loan and Mortgage Loan, or a repayment made in whole or in part thereon, a notation thereof shall be made on the books and records of the Bank. All amounts recorded shall be, absent demonstrable error, conclusive and binding evidence of (i) the principal amount of the Term Loan advanced hereunder, (ii) any accrued and unpaid interest owing on the Term Loan and (iii) all amounts repaid on the Term Loan. The failure to record any such amount or any error in recording such amounts shall not, however, limit or otherwise affect the obligations of the Borrowers under the Term Note to repay the principal amount of the Term Loan, together with all interest accruing thereon.

Section 5. MANNER OF BORROWING.

5.1 Borrowing Procedures. Each Revolving Loan advance shall be made available to Holdings upon any written, verbal, electronic, telephonic or telecopy loan request which the Bank in good faith believes to emanate from a properly authorized representative of Holdings, whether or not that is in fact the case. Each such notice shall be effective upon receipt by the Bank, shall be irrevocable, and shall specify the date, amount and type of borrowing. A request for a direct advance must be received by the Bank no later than 11:00 a.m. Chicago, Illinois time, on the day it is to be funded. The proceeds of each direct advance shall be made available at the office of the Bank by credit to the account of Holdings or by other means requested by Holdings and acceptable to the Bank. Holdings does hereby irrevocably confirm, ratify and approve all such advances by the Bank and does hereby indemnify the Bank against losses and expenses (including court costs, attorneys' and paralegals' fees) and shall hold the Bank harmless with respect thereto.

5.2 Automatic Debit. In order to effectuate the timely payment of any of the Obligations when due, each Borrower hereby authorizes and directs the Bank, at the Bank's option, to (a) debit the amount of the Obligations to any ordinary deposit account of the Borrowers, or (b) make a Revolving Loan hereunder to pay the amount of the Obligations.

5.3 Discretionary Disbursements. The Bank, in its sole and absolute discretion, may immediately upon notice to the Borrowers, disburse any or all proceeds of the Loans made or available to the Borrowers pursuant to this Agreement to pay any fees, costs, expenses or other amounts required to be paid by the Borrowers hereunder and not so paid. All monies so disbursed shall be a part of the Obligations, payable by the Borrowers on demand from the Bank.

Section 6. SECURITY FOR THE OBLIGATIONS.

6.1 Security for Obligations. As security for the payment and performance of the Obligations, the Borrowers do hereby pledge, assign, transfer and deliver to the Bank and does hereby grant to the Bank a continuing and unconditional first priority security interest in and to any and all property of each Borrower, of any kind or description, tangible or intangible, wheresoever located and whether now existing or hereafter arising or acquired, including, but not limited to, the following (all of which property, along with the products and proceeds therefrom, are individually and collectively referred to as the "Collateral"):

(a) all property of, or for the account of, each Borrower now or hereafter coming into the possession, control or custody of, or in transit to, the Bank or any agent or bailee for the Bank or any parent, Affiliate or Subsidiary of the Bank or any participant with the Bank in the Loans (whether for safekeeping, deposit, collection, custody, pledge, transmission or otherwise), including all earnings, dividends, interest, or other rights in connection therewith and the products and proceeds therefrom, including the proceeds of insurance thereon; and

(b) the additional property of each Borrower, whether now existing or hereafter arising or acquired, and wherever now or hereafter located, together with all additions and accessions thereto, substitutions, betterments and replacements therefor, products and Proceeds therefrom, and all of each Borrower's books and records and recorded data relating thereto (regardless of the medium of recording or storage), together with all of each Borrower's right, title and interest in and to all computer software required to utilize, create, maintain and process any such records or data on electronic media, identified and set forth as follows:

(i) All Accounts and all Goods whose sale, lease or other disposition by each Borrower has given rise to Accounts and have been

returned to, or repossessed or stopped in transit by, each Borrower, or rejected or refused by an Account Debtor;

- (ii) All Inventory, including, without limitation, Relay rail, Other track material, railroad ties, raw materials, work-in-process and finished goods;
- (iii) All Goods (other than Inventory), including, without limitation, embedded software, Equipment, vehicles, furniture and Fixtures;
- (iv) All Equipment and Machinery including, without limitation, all rolling stock, Machinery and Equipment listed in the AccuVal Report attached as Exhibit B;
- (iv) All Software and computer programs;
- (v) All Securities, Investment Property, Financial Assets and Deposit Accounts;
- (vi) All Chattel Paper, Electronic Chattel Paper, Instruments, Documents, Letter of Credit Rights, all proceeds of letters of credit, Health-Care-Insurance Receivables, Supporting Obligations, notes secured by real estate, Commercial Tort Claims, and General Intangibles, including Payment Intangibles; and
- (vii) All Proceeds (whether Cash Proceeds or Noncash Proceeds) of the foregoing property, including, without limitation, all insurance policies and proceeds of insurance payable by reason of loss or damage to the foregoing property, including unearned premiums, and of eminent domain or condemnation awards.

6.2 Other Collateral. Intentionally Deleted

6.3 Possession and Transfer of Collateral. Unless an Event of Default exists hereunder, the Borrowers shall be entitled to possession or use of the Collateral (other than Instruments or Documents, Tangible Chattel Paper, Investment Property consisting of certificated securities and other Collateral required to be delivered to the Bank pursuant to this Section 6). The cancellation or surrender of any Note, upon payment or otherwise, shall not affect the right of the Bank to retain the Collateral for any other of the Obligations. The Borrowers shall not sell, assign (by operation of law or otherwise), license, lease or otherwise dispose of, or grant any option with respect to any of the Collateral, except that the Borrowers may sell Inventory in the ordinary course of business.

6.4 Financing Statements. Each Borrower shall, at the Bank's request, at any time and from time to time, execute and deliver to the Bank such financing statements, Surface Transportation Board filings, amendments and other documents and do such acts as the Bank deems necessary in order to establish and maintain valid, attached

and perfected first priority security interests in the Collateral in favor of the Bank, free and clear of all Liens and claims and rights of third parties whatsoever, except Permitted Liens. Each Borrower hereby irrevocably authorizes the Bank at any time, and from time to time, to file in any jurisdiction any initial financing statements and amendments thereto without the signature of the Borrowers that (a) indicate the Collateral (i) is comprised of all assets of the Borrowers or words of similar effect, regardless of whether any particular asset comprising a part of the Collateral falls within the scope of Article 9 of the Uniform Commercial Code of the jurisdiction wherein such financing statement or amendment is filed, or (ii) as being of an equal or lesser scope or within greater detail as the grant of the security interest set forth herein, and (b) contain any other information required by Section 5 of Article 9 of the Uniform Commercial Code of the jurisdiction wherein such financing statement or amendment is filed regarding the sufficiency or filing office acceptance of any financing statement or amendment, including (i) whether Borrowers are an organization, the type of organization and any Organizational Identification Number issued to the Borrowers, and (ii) in the case of a financing statement filed as a fixture filing or indicating Collateral as as-extracted collateral or timber to be cut, a sufficient description of the real property to which the Collateral relates. Borrowers hereby agree that a photocopy or other reproduction of this Agreement is sufficient for filing as a financing statement and the Borrowers authorize the Bank to file this Agreement as a financing statement in any jurisdiction. Borrowers agree to furnish any such information to the Bank promptly upon request. Borrowers further ratify and affirm their authorization for any financing statements and/or amendments thereto, executed and filed by the Bank in any jurisdiction prior to the date of this Agreement. In addition, the Borrowers shall make appropriate entries on its books and records disclosing the Bank's security interests in the Collateral.

6.5 Preservation of the Collateral. The Bank may, but is not required, to take such actions from time to time as the Bank deems appropriate to maintain or protect the Collateral. The Bank shall have exercised reasonable care in the custody and preservation of the Collateral if the Bank takes such action as the Borrowers shall reasonably request in writing which is not inconsistent with the Bank's status as a secured party, but the failure of the Bank to comply with any such request shall not be deemed a failure to exercise reasonable care; provided, however, the Bank's responsibility for the safekeeping of the Collateral shall (i) be deemed reasonable if such Collateral is accorded treatment substantially equal to that which the Bank accords its own property, and (ii) not extend to matters beyond the control of the Bank, including, without limitation, acts of God, war, insurrection, riot or governmental actions. In addition, any failure of the Bank to preserve or protect any rights with respect to the Collateral against prior or third parties, or to do any act with respect to preservation of the Collateral, not so requested by the Borrowers, shall not be deemed a failure to exercise reasonable care in the custody or preservation of the Collateral. The Borrowers shall have the sole responsibility for taking such action as may be necessary, from time to time, to preserve all rights of the Borrowers and the Bank in the Collateral against prior or third parties. Without limiting the generality of the foregoing, where

Collateral consists in whole or in part of securities, the Borrowers represent to, and covenant with, the Bank that Borrowers have made arrangements for keeping informed of changes or potential changes affecting the securities (including, but not limited to, rights to convert or subscribe, payment of dividends, reorganization or other exchanges, tender offers and voting rights), and Borrowers agree that the Bank shall have no responsibility or liability for informing the Borrowers of any such or other changes or potential changes or for taking any action or omitting to take any action with respect thereto.

6.6 Other Actions as to any and all Collateral. The Borrowers further agree to take any other action reasonably requested by the Bank to ensure the attachment, perfection and first priority of, and the ability of the Bank to enforce, the Bank's security interest in any and all of the Collateral including, without limitation, (a) causing the Bank's name to be noted as secured party on any certificate of title for a titled good if such notation is a condition to attachment, perfection or priority of, or ability of the bank to enforce, the Bank's security interest in such Collateral, (b) complying with any provision of any statute, regulation or treaty of the United States as to any Collateral if compliance with such provision is a condition to attachment, perfection or priority of, or ability of the Bank to enforce, the Bank's security interest in such Collateral, (c) obtaining governmental and other third party consents and approvals, including without limitation any consent of any licensor, lessor or other Person obligated on Collateral, (d) obtaining waivers from mortgagees and landlords in form and substance satisfactory to the Bank, and (e) taking all actions required by the UCC or Surface Transportation Board in effect from time to time or by other law, as applicable, or by other law as applicable in any foreign jurisdiction. The Borrowers further agree to indemnify and hold the Bank harmless against claims of any Persons not a party to this Agreement concerning disputes arising over the Collateral.

6.7 Collateral in the Possession of a Warehouseman or Bailee. If any of the Collateral at any time is in the possession of a warehouseman or bailee, the Borrowers shall promptly notify the Bank thereof, and shall promptly obtain a Collateral Access Agreement. The Bank agrees with the Borrowers that the Bank shall not give any such instructions unless an Event of Default has occurred and is continuing or would occur after taking into account any action by the Borrowers with respect to the warehouseman or bailee.

6.8 Letter-of-Credit Rights. If the Borrowers at any time is a beneficiary under a letter of credit now or hereafter issued in favor of the Borrowers, the Borrowers shall promptly notify the Bank thereof and, at the request and option of the Bank, the Borrowers shall, pursuant to an agreement in form and substance satisfactory to the Bank, if requested in writing by the Bank, either (i) arrange for the issuer and any confirmer of such letter of credit to consent to an assignment to the Bank of the proceeds of any drawing under the letter of credit, or (ii) arrange for the Bank to become the transferee beneficiary of the letter of credit, with the Bank agreeing, in each case, that the proceeds of any drawing under the letter to credit are to be applied as provided in this Agreement.

6.9 Commercial Tort Claims. If the Borrowers shall at any time hold or acquire a Commercial Tort Claim, the Borrowers shall immediately notify the Bank in writing signed by the Borrowers of the details thereof and grant to the Bank in such writing a security interest therein and in the proceeds thereof, all upon the terms of this Agreement, in each case in form and substance satisfactory to the Bank, and shall execute any amendments hereto deemed reasonably necessary by the Bank to perfect its security interest in such Commercial Tort Claim

6.10 Electronic Chattel Paper and Transferable Records. If the Borrowers at any time holds or acquires an interest in any electronic chattel paper or any "transferable record", as that term is defined in Section 201 of the federal Electronic Signatures in Global and National Commerce Act, or in Section 16 of the Uniform Electronic Transactions Act as in effect in any relevant jurisdiction, the Borrowers shall promptly notify the Bank thereof and, at the request of the Bank, shall take such action as the Bank may reasonably request to vest in the Bank control under Section 9-105 of the UCC of such electronic chattel paper or control under Section 201 of the federal Electronic Signatures in Global and National Commerce Act or, as the case may be, Section 16 of the Uniform Electronic Transactions Act, as so in effect in such jurisdiction, of such transferable record. The Bank agrees with the Borrowers that the Bank will arrange, pursuant to procedures satisfactory to the Bank and so long as such procedures will not result in the Bank's loss of control, for the Borrowers to make alterations to the electronic chattel paper or transferable record permitted under Section 9-105 of the UCC or, as the case may be, Section 201 of the federal Electronic Signatures in Global and National Commerce Act or Section 16 of the Uniform Electronic Transactions Act for a party in control to make without loss of control.

Section 7. REPRESENTATIONS AND WARRANTIES.

To induce the Bank to make the Loans, the Borrowers make the following representations and warranties to the Bank, each of which shall survive the execution and delivery of this Agreement and are true and correct except as set forth in the disclosure schedule accompanying this Agreement (the "Disclosure Schedule"):Need to see

7.1 Borrowers Organization and Names. (a) Railroad is a corporation duly organized, existing and in good standing under the laws of the State of Illinois, with full and adequate power to carry on and conduct its respective business as presently conducted. Railroad is licensed or qualified in all foreign jurisdictions wherein the nature of their respective activities require such qualification or licensing, except for such jurisdictions where the failure to so qualify would not have a Material Adverse Effect. Railroad's Organizational Identification Number is 59291599. The exact legal name of Railroad is as set forth in the first paragraph of this Agreement, and Railroad currently does not conduct, nor has it during the last five (5) years conducted, businesses under any other name or trade.

(b) Holdings, Railgroup and Railink are each a limited liability company duly organized, existing and in good standing under the laws of the State of Illinois, with full and adequate power to carry on and conduct their respective businesses as presently conducted. Holdings, Railgroup and Railink are each duly licensed or qualified in all foreign jurisdictions wherein the nature of their respective activities require such qualification or licensing, except for such jurisdictions where the failure to so qualify would not have a Material Adverse Effect. Holdings, Railgroup and Railink's Organizational Identification Numbers are 01885545, 01930125 and 01928538, respectively. The exact legal names of Holdings, Railgroup and Railink are as set forth in the first paragraph of this Agreement, and Holdings, Railgroup and Railink each currently do not conduct, nor have they during the last five (5) years conducted, businesses under any other name or trade name.

7.2 Authorization. Each Borrower has full right, power and authority to enter into this Agreement, to make the borrowings and execute and deliver the Loan Documents as provided herein and to perform all of its duties and obligations under this Agreement and the other Loan Documents. The execution and delivery of this Agreement and the other Loan Documents will not, nor will the observance or performance of any of the matters and things herein or therein set forth, violate or contravene any provision of law or of their respective articles of incorporation, bylaws, articles of organization or operating agreement of the Borrowers. All necessary and appropriate action has been taken on the part of the Borrowers to authorize the execution and delivery of this Agreement and the Loan Documents.

7.3 Validity and Binding Nature. This Agreement and the other Loan Documents are the legal, valid and binding obligations of each Borrower, enforceable against each Borrower in accordance with their terms, subject to bankruptcy, insolvency and similar laws affecting the enforceability of creditors' rights generally and to general principles of equity.

7.4 Consent; Absence of Breach. The execution, delivery and performance of this Agreement, the other Loan Documents and any other documents or instruments to be executed and delivered by the Borrowers in connection with the Loans, and the borrowings by the Borrowers hereunder, do not and will not (a) require any consent, approval, authorization of, or filings with, notice to or other act by or in respect of, any governmental authority or any other Person (other than any consent or approval which has been obtained and is in full force and effect) except where the failure to obtain such consent, approval or authorization or make such filing or provide such notice would not have a Material Adverse Effect; (b) conflict with (i) any provision of law or any applicable regulation, order, writ, injunction or decree of any court or governmental authority, (ii) the their respective articles of incorporation, bylaws, articles of organization or operating agreement of the respective Borrowers, or (iii) any material agreement, indenture, instrument or other document, or any judgment, order or decree, which is binding upon each Borrower or any of their respective properties or assets, except where the conflict would not have a Material Adverse Effect; or (c) require, or

result in, the creation or imposition of any Lien on any asset of any Borrower, other than Liens in favor of the Bank created pursuant to this Agreement.

7.5 Ownership of Properties; Liens. Each Borrower is the sole owner or has other rights in all of its properties and assets, real and personal, tangible and intangible, of any nature whatsoever (including patents, trademarks, trade names, service marks and copyrights), free and clear of all Liens, charges and claims (including infringement claims with respect to patents, trademarks, service marks, copyrights and the like), other than Permitted Liens.

7.6 Equity Ownership. All issued and outstanding Capital Securities of Railroad and each of its Subsidiaries are duly authorized and validly issued, fully paid, non-assessable, and free and clear of all Liens other than those in favor of the Bank, if any, and such securities were issued in compliance with all applicable state and federal laws concerning the issuance of securities. As of the date hereof, there are no preemptive or other outstanding rights, options, warrants, conversion rights or other similar agreements or understandings for the purchase or acquisition of any Capital Securities of Railroad and each of its Subsidiaries.

7.7 Intellectual Property. Each Borrower owns and possesses or has a license or other right to use all Intellectual Property, as are necessary for the conduct of the businesses of the Borrowers, without any infringement upon rights of others which could reasonably be expected to have a Material Adverse Effect upon the Borrowers, and no material claim has been asserted and is pending by any Person challenging or questioning the use of any Intellectual Property or the validity or effectiveness of any Intellectual Property nor does the Borrowers know of any valid basis for any such claim.

7.8 Financial Statements. All financial statements submitted to the Bank have been prepared in accordance with sound accounting practices and GAAP on a basis, except as otherwise noted therein, consistent with the previous fiscal year and present fairly the financial condition of the Borrowers and the results of the operations for the Borrowers as of such date and for the periods indicated. Since the date of the most recent financial statement submitted by the Borrowers to the Bank, there has been no change in the financial condition or in the assets or liabilities of the Borrowers having a Material Adverse Effect on any Borrower.

7.9 Litigation and Contingent Liabilities. There is no litigation, arbitration proceeding, demand, charge, claim, petition or governmental investigation or proceeding pending, or to the knowledge of the Borrowers, threatened, against any Borrower, which, if adversely determined, which would reasonably be expected to have a Material Adverse Effect upon such Borrower, except as set forth in Schedule 7.9. Other than any liability incident to such litigation or proceedings, Borrowers have no material guarantee obligations, contingent liabilities, liabilities for taxes, or any long-term leases or unusual forward or long-term commitments, including any interest rate or foreign currency swap or exchange transaction or other obligation in respect of derivatives, that are not fully-reflected or fully reserved for in the most recent audited

financial statements delivered pursuant to subsection 8.8(a) or fully-reflected or fully reserved for in the most recent quarterly financial statements delivered pursuant to subsection 8.8(b) and not permitted by Section 9.1.

7.10 Event of Default. No Event of Default or Unmatured Event of Default exists or would result from the incurrence by any Borrower of any of the Obligations hereunder or under any of the other Loan Document, and Borrowers are not in default (without regard to grace or cure periods) under any other contract or agreement to which it is a party, the effect of which would have a Material Adverse Effect upon any Borrower.

7.11 Adverse Circumstances. No condition, circumstance, event, agreement, document, instrument, restriction, litigation or proceeding (or threatened litigation or proceeding or basis therefor) exists which (a) would have a Material Adverse Effect upon any Borrower, or (b) would constitute an Event of Default or an Unmatured Event of Default.

7.12 Environmental Laws and Hazardous Substances. Borrowers have not generated, used, stored, treated, transported, manufactured, handled, produced or disposed of any Hazardous Substances, on or off any of the premises of the Borrowers (whether or not owned by it) in any manner which at any time violates any Environmental Law or any license, permit, certificate, approval or similar authorization thereunder. The Borrowers comply in all material respects with all Environmental Laws and all licenses, permits certificates, approvals and similar authorizations thereunder. There has been no investigation, proceeding, complaint, order, directive, claim, citation or notice by any governmental authority or any other Person, nor is any pending or, to the best of Borrowers' knowledge, threatened, and the Borrowers shall promptly notify the Bank upon becoming aware of any such investigation, proceeding, complaint, order, directive, claim, citation or notice, and shall take prompt and appropriate actions to respond thereto, with respect to any non-compliance with, or violation of, the requirements of any Environmental Law by a Borrower or the release, spill or discharge, threatened or actual, of any Hazardous Material or the generation, use, storage, treatment, transportation, manufacture, handling, production or disposal of any Hazardous Material or any other environmental, health or safety matter, which affects the Borrowers or their businesses, operations or assets or any properties at which Borrowers have transported, stored or disposed of any Hazardous Substances. Borrowers have no material liability, contingent or otherwise, in connection with a release, spill or discharge, threatened or actual, of any Hazardous Substances or the generation, use, storage, treatment, transportation, manufacture, handling, production or disposal of any Hazardous Material. Each Borrower further agrees to allow the Bank or its agent access to the properties of the Borrowers to confirm compliance with all Environmental Laws, and the Borrowers shall, following determination by the Bank that there is non-compliance, or any condition which requires any action by or on behalf of the Borrowers in order to avoid any non-compliance, with any Environmental Law, at Borrowers' sole expense, cause an independent environmental engineer acceptable to the Bank (after consultation with the Borrowers) to conduct such tests of the relevant

site as are appropriate, and prepare and deliver a report setting forth the result of such tests, a proposed plan for remediation and an estimate of the costs thereof.

7.13 Solvency, etc. As of the date hereof, and immediately prior to and after giving effect to the issuance of each Loan hereunder and the use of the proceeds thereof, (a) the fair value of Borrowers' assets is greater than the amount of its liabilities (including disputed, contingent and unliquidated liabilities) as such value is established and liabilities evaluated as required under the Section 548 of the Bankruptcy Code, (b) the present fair saleable value of Borrowers' assets is not less than the amount that will be required to pay the probable liability on its debts as they become absolute and matured, (c) Borrowers are able to realize upon its assets and pay its debts and other liabilities (including disputed, contingent and unliquidated liabilities) as they mature in the normal course of business, (d) the Borrowers do not intend to, and do not believe that it will, incur debts or liabilities beyond its ability to pay as such debts and liabilities mature, and (e) Borrowers are not engaged in business or a transaction, and is not about to engage in business or a transaction, for which its property would constitute unreasonably small capital.

7.14 ERISA Obligations. All Employee Plans of the Borrowers meet the minimum funding standards of Section 302 of ERISA and 412 of the Internal Revenue Code where applicable, and each such Employee Plan that is intended to be qualified within the meaning of Section 401 of the Internal Revenue Code of 1986 is qualified. No withdrawal liability has been incurred under any such Employee Plans and no "Reportable Event" or "Prohibited Transaction" (as such terms are defined in ERISA), has occurred with respect to any such Employee Plans, unless approved by the appropriate governmental agencies. Borrowers have promptly paid and discharged all obligations and liabilities arising under the Employee Retirement Income Security Act of 1974 ("ERISA") of a character which if unpaid or unperformed might result in the imposition of a Lien against any of its properties or assets.

7.15 Labor Relations. Except as could not reasonably be expected to have a Material Adverse Effect, (i) there are no strikes, lockouts or other labor disputes against any Borrower or, to the best knowledge of the Borrowers, threatened, (ii) hours worked by and payment made to employees of any Borrower have not been in violation of the Fair Labor Standards Act or any other applicable law, and (ii) no unfair labor practice complaint is pending against any Borrower or, to the best knowledge of any Borrower, threatened before any governmental authority.

7.16 Security Interest. This Agreement creates a valid security interest in favor of the Bank in the Collateral and, when properly perfected by filing in the appropriate jurisdictions, or by possession or Control of such Collateral by the Bank or delivery of such Collateral to the Bank, shall constitute a valid, perfected, first-priority security interest in such Collateral.

7.17 Lending Relationship. The relationship hereby created between the Borrowers and the Bank is and has been conducted on an open and arm's length basis

in which no fiduciary relationship exists, and Borrowers have not relied and is not relying on any such fiduciary relationship in executing this Agreement and in consummating the Loans. The Bank represents that it will receive any Note payable to its order as evidence of a bank loan.

7.18 Business Loan. The Loans, including interest rate, fees and charges as contemplated hereby, (i) are business loans within the purview of 815 ILCS 205/4(1)(c), as amended from time to time, (ii) are an exempted transaction under the Truth In Lending Act, 12 U.S.C. 1601 et seq., as amended from time to time, and (iii) do not, and when disbursed shall not, violate the provisions of the Illinois usury laws, any consumer credit laws or the usury laws of any state which may have jurisdiction over this transaction, the Borrowers or any property securing the Loans.

7.19 Taxes. Borrowers have timely filed all tax returns and reports required by law to have been filed by it and has paid all taxes, governmental charges and assessments due and payable with respect to such returns, except any such taxes or charges which are being diligently contested in good faith by appropriate proceedings and for which adequate reserves in accordance with GAAP shall have been set aside on its books, are insured against or bonded over to the satisfaction of the Bank and the contesting of such payment does not create a Lien on the Collateral which is not a Permitted Lien. There is no controversy or objection pending, or to the Borrowers' knowledge threatened in respect of any tax returns of the Borrowers. Borrowers have made adequate reserves on its books and records in accordance with GAAP for all taxes that have accrued but which are not yet due and payable.

7.20 Compliance with Regulation U. No portion of the proceeds of the Loans shall be used by a Borrower, or any Affiliate of the Borrowers, either directly or indirectly, for the purpose of purchasing or carrying any margin stock, within the meaning of Regulation U as adopted by the Board of Governors of the Federal Reserve System or any successor thereto.

7.21 Governmental Regulation. No Borrower is, or after giving effect to any loan, will be, subject to regulation under the Public Utility Holding Company Act of 1935, the Federal Power Act, the ICC Termination Act of 1995 or the Investment Company Act of 1940 or to any federal or state statute or regulation limiting its ability to incur indebtedness for borrowed money.

7.22 Bank Accounts. All Deposit Accounts and operating bank accounts of the Borrowers and their Subsidiaries are located at the Bank and Borrowers have no other Deposit Accounts except those listed on Schedule 7.22 attached hereto.

7.23 Places of Businesses. The principal places of businesses and books and records of each Borrower is set forth on Schedule 7.23 attached hereto, and the location of all Collateral, if other than at such principal place of business, is as set forth on Schedule 7.23 attached hereto, and each Borrower shall promptly notify the Bank of any change in such locations. Each Borrower will not remove or permit the Collateral to

be removed from such locations without the prior written consent of the Bank, except for Inventory sold in the usual and ordinary course of each Borrower's business.

7.24 Complete Information. This Agreement and all financial statements, schedules, certificates, confirmations, agreements, contracts, and other materials and information heretofore or contemporaneously herewith furnished in writing by the Borrowers to the Bank for purposes of, or in connection with, this Agreement and the transactions contemplated hereby is, and all written information hereafter furnished by or on behalf of the Borrowers to the Bank pursuant hereto or in connection herewith will be, true and accurate in every material respect on the date as of which such information is dated or certified, and none of such information is or will be incomplete by omitting to state any material fact necessary to make such information not misleading in light of the circumstances under which made (it being recognized by the Bank that any projections and forecasts provided by the Borrowers are based on good faith estimates and assumptions believed by the Borrowers to be reasonable as of the date of the applicable projections or assumptions and that actual results during the period or periods covered by any such projections and forecasts may differ from projected or forecasted results).

7.25 Subordinated Debt. The subordination provisions of the Subordinated Debt are enforceable against the holders of the Subordinated Debt by the Bank. The Obligations constitute Senior Debt entitled to the benefits of the subordination provisions contained in the Subordinated Debt. The Borrowers acknowledge that the Bank is entering into this Agreement and is making the Loans in reliance upon the subordination provisions of the Subordinated Debt and this Section 7.25.

7.26 Representations and Warranties in Purchase Agreement. Borrowers adopt and affirm to the Bank all of the representations and warranties concerning the Targets set forth in section 3 of the Purchase Agreement, which to the best of Borrowers' and Guarantor's knowledge are true and correct except as provided on Schedule 7.26 to this Agreement.

7.27 Regulatory Compliance. Each Borrower is in full compliance with all federal and state laws, statutes, regulations, and rules of all governmental authorities, agencies and political subdivisions having jurisdiction over the Borrower.

Section 8. AFFIRMATIVE COVENANTS.

8.1 Compliance with Bank Regulatory Requirements; Increased Costs. If the Bank shall reasonably determine that any Regulatory Change, or compliance by the Bank or any Person controlling the Bank with any request or directive (whether or not having the force of law) of any governmental authority, central bank or comparable agency has or would have the effect of reducing the rate of return on the Bank's or such controlling Person's capital as a consequence of the Bank's obligations hereunder to a level below that which the Bank or such controlling Person could have achieved but for such Regulatory Change or compliance (taking into consideration the Bank's or such

controlling Person's policies with respect to capital adequacy) by an amount deemed by the Bank or such controlling Person to be material or would otherwise reduce the amount of any sum received or receivable by the Bank under this Agreement or under any Note with respect thereto, then from time to time, upon demand by the Bank (which demand shall be accompanied by a statement setting forth the basis for such demand and a calculation of the amount thereof in reasonable detail), the Borrowers shall pay directly to the Bank or such controlling Person such additional amount as will compensate the Bank for such increased cost or such reduction, so long as such amounts have accrued on or after the day which is one hundred eighty days (180) days prior to the date on which the Bank first made demand therefor.

8.2 Borrowers Existence. Each Borrower shall at all times preserve and maintain its (a) its existence and good standing in the jurisdiction of its organization, and (b) its qualification to do business and good standing in each jurisdiction where the nature of its business makes such qualification necessary (other than such jurisdictions in which the failure to be qualified or in good standing could not reasonably be expected to have a Material Adverse Effect), and shall at all times continue as a going concern in the business which Borrowers are presently conducting. If any Borrower does not have an Organizational Identification Number and later obtains one, such Borrower shall promptly notify the Bank of such Organizational Identification Number.

8.3 Compliance With Laws. Borrowers shall use the proceeds of the Loans for working capital and other general corporate or business purposes not in contravention of any requirements of law and not in violation of this Agreement, and shall comply in all respects, including the conduct of its business and operations and the use of its properties and assets, with all applicable laws, rules, regulations, decrees, orders, judgments, licenses and permits, except where failure to comply could not reasonably be expected to have a Material Adverse Effect. In addition, and without limiting the foregoing sentence, the Borrowers shall (a) ensure, and cause each Subsidiary to ensure, that no person who owns a controlling interest in or otherwise controls the Borrowers or any Subsidiary is or shall be listed on the Specially Designated Nationals and Blocked Person List or other similar lists maintained by the Office of Foreign Assets Control ("OFAC"), the Department of the Treasury or included in any Executive Orders, (b) not use or permit the use of the proceeds of the Loans to violate any of the foreign asset control regulations of OFAC or any enabling statute or Executive Order relating thereto, and (c) comply, and cause each Subsidiary to comply, with all applicable Bank Secrecy Act ("BSA") laws and regulations, as amended.

8.4 Payment of Taxes and Liabilities. Each Borrower shall pay and discharge, prior to delinquency and before penalties accrue thereon, all property and other taxes, and all governmental charges or levies against it or any of the Collateral, as well as claims of any kind which, if unpaid, could become a Lien on any of its property; provided that the foregoing shall not require the Borrowers to pay any such tax or charge so long as it shall contest the validity thereof in good faith by appropriate proceedings and shall set aside on its books adequate reserves with respect thereto in accordance with GAAP and, in the case of a claim which could become a Lien on any

of the Collateral, such contest proceedings stay the foreclosure of such Lien or the sale of any portion of the Collateral to satisfy such claim.

8.5 Maintain Property. The Borrowers shall at all times maintain, preserve and keep its plant, properties and Equipment, including, but not limited to, any Collateral, in good repair, working order and condition, normal wear and tear excepted, and shall from time to time make all needful and proper repairs, renewals, replacements, and additions thereto so that at all times the efficiency thereof shall be fully preserved and maintained. The Borrowers shall permit the Bank to examine and inspect such plant, properties and Equipment, including, but not limited to, any Collateral, at all reasonable times.

8.6 Maintain Insurance. Each Borrower shall at all times with insurance companies reasonably acceptable to the Bank, maintain such insurance coverage as may be required by any law or governmental regulation or court decree or order applicable to it and such other insurance, to such extent and against such hazards and liabilities, including employers', public and professional liability risks, as is customarily maintained by companies similarly situated, and shall have insured amounts no less than, and deductibles no higher than, are reasonably acceptable to the Bank. The Borrowers shall furnish to the Bank a certificate setting forth in reasonable detail the nature and extent of all insurance maintained by each Borrowers, which shall be reasonably acceptable in all respects to the Bank. The Borrowers shall cause each issuer of an insurance policy to provide the Bank with an endorsement (i) showing the Bank as lender loss payee with respect to each policy of property or casualty insurance and naming the Bank as an additional insured with respect to each policy of liability insurance; and (ii) providing that thirty (30) days notice will be given to the Bank prior to any cancellation of, material reduction or change in coverage provided by or other material modification to such policy. The Borrowers shall execute and deliver to the Bank a collateral assignment, in form and substance satisfactory to the Bank, of each business interruption insurance policy maintained by each Borrower.

In the event any Borrower either fails to provide the Bank with evidence of the insurance coverage required by this Section or at any time hereafter shall fail to obtain or maintain any of the policies of insurance required above, or to pay any premium in whole or in part relating thereto, then the Bank, without waiving or releasing any obligation or default by the Borrowers hereunder, may at any time (but shall be under no obligation to so act), obtain and maintain such policies of insurance and pay such premiums and take any other action with respect thereto, which the Bank deems advisable. This insurance coverage (a) may, but need not, protect Borrowers' interests in such property, including, but not limited to, the Collateral, and (b) may not pay any claim made by, or against, the Borrowers in connection with such property, including, but not limited to, the Collateral. The Borrowers may later cause the Bank to cancel any such insurance purchased by the Bank, but only after providing the Bank with evidence that Borrowers have obtained the insurance coverage required by this Section. If the Bank purchases insurance for the Collateral, the Borrowers will be responsible for the costs of that insurance, including interest and any other charges that

may be imposed with the placement of the insurance, until the effective date of the cancellation or expiration of the insurance. The costs of the insurance may be added to the principal amount of the Loans owing hereunder. The costs of the insurance may be more than the cost of the insurance the Borrowers may be able to obtain on its own.

8.7 ERISA Liabilities; Employee Plans. Each Borrower shall (i) keep in full force and effect any and all Employee Plans which are presently in existence or may, from time to time, come into existence under ERISA, and not withdraw from any such Employee Plans, unless such withdrawal can be effected or such Employee Plans can be terminated without liability to the Borrower; (ii) make contributions to all of such Employee Plans in a timely manner and in a sufficient amount to comply with the standards of ERISA; including the minimum funding standards of ERISA; (iii) comply with all material requirements of ERISA which relate to such Employee Plans; (iv) notify the Bank promptly upon receipt by the Borrower of any notice concerning the imposition of any withdrawal liability or of the institution of any proceeding or other action which may result in the termination of any such Employee Plans or the appointment of a trustee to administer such Employee Plans; (v) promptly advise the Bank of the occurrence of any "Reportable Event" or "Prohibited Transaction" (as such terms are defined in ERISA), with respect to any such Employee Plans; and (vi) amend any Employee Plan that is intended to be qualified within the meaning of Section 401 of the Internal Revenue Code of 1986 to the extent necessary to keep the Employee Plan qualified, and to cause the Employee Plan to be administered and operated in a manner that does not cause the Employee Plan to lose its qualified status.

8.8 Financial Statements. Each Borrower shall at all times maintain a standard and modern system of accounting, on the accrual basis of accounting and in all respects in accordance with GAAP, and shall furnish to the Bank or its authorized representatives such information regarding the business affairs, operations and financial condition of such Borrower, including, but not limited to:

(a) promptly when available, and in any event, within one hundred twenty (120) days after the close of each of its fiscal years, a copy of (i) the annual reviewed financial statements of each Borrower, including balance sheet, statement of income and retained earnings, statement of cash flows for the fiscal year then ended and such other information (including nonfinancial information) as the Bank may reasonably request, in reasonable detail, prepared and certified as accurate; and

(b) promptly when available, and in any event, within thirty (30) days following the end of each fiscal quarter, a copy of the financial statements of each Borrower regarding such fiscal quarter, including balance sheet, statement of income and retained earnings, statement of cash flows for the fiscal quarter then ended and such other information (including nonfinancial information) as the Bank may request, in reasonable detail, prepared and certified as true and correct by the Borrower's treasurer or chief financial officer; and

(c) within thirty (30) days after the filing due date (as such date may be extended in accordance with properly granted extensions) each year, a signed copy of the complete income tax returns filed with the Internal Revenue Service by each Borrower.

No change with respect to such accounting principles shall be made by Borrowers without giving prior notification to the Bank. Borrowers represent and warrant to the Bank that the financial statements delivered to the Bank at or prior to the execution and delivery of this Agreement and to be delivered at all times thereafter accurately reflect and will accurately reflect in all material respects the financial condition of the Borrowers. The Bank shall have the right at all times during business hours to inspect the books and records of any Borrower and make extracts therefrom.

8.9 Additional Financial Statements. Borrowers shall furnish, or cause to be furnished, to the Bank or its authorized representatives such information regarding the business affairs, operations and financial condition of Guarantor, including, but not limited to, within thirty (30) days after the filing due date (as such date may be extended in accordance with properly granted extensions) each year, a signed copy of the complete income tax returns filed with the Internal Revenue Service by each Guarantor, along with a personal financial statement in form and substance acceptable to the Bank and certified as true and correct by each Guarantor.

8.10 Supplemental Financial Statements. Borrowers shall promptly upon receipt thereof, provide to the Bank copies of interim and supplemental reports if any, submitted to a Borrower by independent accountants in connection with any interim audit or review of the books of such Borrower.

8.11 Borrowing Base Certificate. Holdings shall, (a) within twenty (20) days after the end of each month, and (b) at any time Holdings shall request a Loan hereunder, deliver to the Bank a Borrowing Base Certificate dated as of the last Business Day of such month, certified as true and correct by an authorized representative of Holdings and acceptable to the Bank in its sole and absolute discretion, provided, however, at any time an Event of Default exists, the Bank may require Holdings to deliver Borrowing Base Certificates more frequently.

8.12 Aged Accounts Schedule. Holdings shall, within twenty (20) days after the end of each month, deliver to the Bank an aged schedule of the Accounts of the Borrowers, listing the name and amount due from each Account Debtor and showing the aggregate amounts due from (a) 0-30 days, (b) 31-60 days, (c) 61-90 days and (d) more than 90 days, and certified as accurate by Holdings' treasurer or chief financial officer.

8.13 Covenant Compliance Certificate. Borrowers shall, contemporaneously with the furnishing of the financial statements pursuant to Section 8.8, deliver to the Bank a duly completed compliance certificate, dated the date of such financial statements and certified as true and correct by an appropriate officer of Borrowers,

containing a computation of each of the financial covenants set forth in Section 10 and stating that Borrowers have not become aware of any Event of Default or Unmatured Event of Default that has occurred and is continuing or, if there is any such Event of Default or Unmatured Event of Default describing it and the steps, if any, being taken to cure it.

8.14 Field Audits. Borrowers shall permit the Bank to inspect the Inventory, other tangible assets and/or other business operations of Borrowers, to perform appraisals of the Equipment of Borrowers, and to inspect, audit, check and make copies of, and extracts from, the books, records, computer data, computer programs, journals, orders, receipts, correspondence and other data relating to Inventory, Accounts and any other Collateral, the results of which must be satisfactory to the Bank in the Bank's sole and absolute discretion. All such inspections or audits by the Bank shall be at Borrowers' sole expense; provided, however, Borrowers shall not be obligated to pay any expense for such inspections or audits in excess of \$10,000 in the aggregate.

8.15 Other Reports. The Borrowers shall, within such period of time as the Bank may specify, deliver to the Bank such other schedules and reports as the Bank may require.

8.16 Collateral Records. Borrowers shall keep full and accurate books and records relating to the Collateral and shall mark such books and records to indicate the Bank's Lien in the Collateral including, without limitation, placing a legend, in form and content acceptable to the Bank, on all Chattel Paper created by the Borrowers indicating that the Bank has a Lien in such Chattel Paper.

8.17 Intellectual Property. The Borrowers shall maintain, preserve and renew all Intellectual Property necessary for the conduct of its business as and where the same is currently located as heretofore or as hereafter conducted by it.

8.18 Notice of Proceedings. The Borrowers, promptly upon becoming aware, shall give written notice to the Bank of any litigation, arbitration or governmental investigation or proceeding not previously disclosed by the Borrowers to the Bank which has been instituted or, to the knowledge of any Borrower, is threatened against any Borrower or to which any of properties is subject which would reasonably be expected to have a Material Adverse Effect.

8.19 Notice of Event of Default or Material Adverse Effect. The Borrowers shall, promptly after the commencement thereof, give notice to the Bank in writing of the occurrence of any Event of Default or any Unmatured Event of Default, or the occurrence of any condition or event having a Material Adverse Effect.

8.20 Environmental Matters. If any release or threatened release or other disposal of Hazardous Substances shall occur or shall have occurred on any real property or any other assets of any Borrower, the Borrowers shall cause the prompt

containment and removal of such Hazardous Substances and the remediation of such real property or other assets as necessary to comply with all Environmental Laws and to preserve the value of such real property or other assets. Without limiting the generality of the foregoing, the Borrowers shall comply with any Federal or state judicial or administrative order requiring the performance at any real property of the Borrowers of activities in response to the release or threatened release of a Hazardous Substance. To the extent that the transportation of Hazardous Substances is permitted by this Agreement, the Borrowers shall dispose of such Hazardous Substances, or of any other wastes, only at licensed disposal facilities operating in compliance with Environmental Laws.

8.21 Further Assurances. Each Borrower shall take such actions as are necessary or as the Bank may reasonably request from time to time to ensure that the Obligations under the Loan Documents are secured by substantially all of the assets of the Borrowers, in each case as the Bank may determine, including (a) the execution and delivery of security agreements, pledge agreements, mortgages, deeds of trust, financing statements and other documents, and the filing or recording of any of the foregoing, and (b) the delivery of certificated securities and other collateral with respect to which perfection is obtained by possession.

8.23 Banking Relationship. Each Borrower covenants and agrees, at all times during the term of this Agreement, to utilize the Bank as its primary bank of account and depository for all financial services, including all receipts, disbursements, cash management and related service.

Section 9. NEGATIVE COVENANTS.

9.1 Debt. The Borrowers shall not, either directly or indirectly, create, assume, incur or have outstanding any Debt (including purchase money indebtedness), or become liable, whether as endorser, guarantor, surety or otherwise, for any debt or obligation of any other Person, except:

- (a) the Obligations under this Agreement and the other Loan Documents;
- (b) obligations of the Borrowers for Taxes, assessments, municipal or other governmental charges;
- (c) obligations of the Borrowers for accounts payable, other than for money borrowed, incurred in the ordinary course of business;
- (d) the Subordinated Note in the principal amount of \$500,000; and
- (e) other obligations not to exceed \$50,000 in the aggregate;

9.2 Encumbrances. The Borrower shall not, either directly or indirectly, create, assume, incur or suffer or permit to exist any Lien or charge of any kind or character upon any asset of the Borrowers, whether owned at the date hereof or hereafter acquired, except for Permitted Liens.

9.3 Investments. The Borrower shall not, either directly or indirectly, make or have outstanding any Investment, except:

(a) contributions by any Borrower to the capital of any other Borrower which has granted a first perfected security interest in all of its assets in favor of the Bank;

(b) Investments constituting Debt permitted by Section 9.1;

(c) Contingent Liabilities constituting Debt permitted by Section 9.1 or Liens permitted by Section 9.2;

(d) Cash Equivalent Investments;

(e) bank deposits in the ordinary course of business, provided that the aggregate amount of all such deposits (excluding amounts in payroll accounts or for accounts payable, in each case to the extent that checks have been issued to third parties) which are maintained with any bank other than the Bank shall not at any time exceed \$50,000;

(f) Investments in securities of Account Debtors received pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of such account debtors; and

(g) Investments listed on Schedule 9.3 as of the Closing Date; and

(h) other Investments not to exceed \$50,000 in the aggregate.

provided, however, that (i) any Investment which when made complies with the requirements of the definition of the term "Cash Equivalent Investment" may continue to be held notwithstanding that such Investment if made thereafter would not comply with such requirements; and (ii) no Investment otherwise permitted by subsections (b) or (c) shall be permitted to be made if, immediately before or after giving effect thereto, any Event of Default or Unmatured Event of Default exists.

9.4 Transfer; Merger; Sales. No Borrower shall, whether in one transaction or a series of related transactions, (a) be a party to any merger or consolidation, or purchase or otherwise acquire all or substantially all of the assets or any Capital Securities of any class of, or any partnership or joint venture interest in, any other Person, except for (i) any such merger, consolidation, sale, transfer, conveyance, lease or assignment of or by any Wholly-Owned Subsidiary into the Borrower or into any

other domestic Wholly-Owned Subsidiary; (ii) any such purchase or other acquisition by the Borrower or any domestic Wholly-Owned Subsidiary of the assets or equity interests of any Wholly-Owned Subsidiary, (b) sell, transfer, convey or lease all or any substantial part of its assets or Capital Securities (including the sale of Capital Securities of any Subsidiary), except for sales of Inventory in the ordinary course of business, or (c) sell or assign, with or without recourse, any receivables.

9.5 Issuance of Capital Securities. No Borrower shall issue any Capital Securities other than (a) any issuance of shares of Borrowers' common Capital Securities pursuant to any employee or director option program, benefit plan or compensation program, or (b) any issuance of Capital Securities by a Subsidiary to the Borrower or another Subsidiary in accordance with Section 9.6.

9.6 Distributions. No Borrower shall (a) make any distribution or dividend (other than stock dividends), whether in cash or otherwise, to any of its equity holders; (b) purchase or redeem any of its equity interests or any warrants, options or other rights in respect thereof, (c) except as otherwise provided for in the Subordination Agreement, pay or prepay interest on, principal of, premium, if any, redemption, conversion, exchange, purchase, retirement, defeasance, sinking fund or any other payment in respect of any Subordinated Debt, or (d) set aside funds for any of the foregoing. Notwithstanding the foregoing, so long as no Event of Default or Unmatured Event of Default exists or would result from it, the Borrower may make quarterly distributions to each of its shareholders or members in an amount not greater than the quarterly estimated income tax payments required to be made by each such shareholder or member based upon the income of such shareholder or member accruing due to the election of Borrowers to be taxed as a Subchapter S Corporation under the United States Internal Revenue Code and based upon the operations of such Borrower and the resulting federal tax liability of such shareholder or member. In the event that the aggregate amount of such quarterly distributions to any shareholder or member for estimated federal income tax payments in any tax year is less than the actual annual federal income tax liability of such shareholder or member in such tax year based upon the income of such shareholder or member accruing due to the election of such Borrower to be taxed as a Subchapter S Corporation under the United States Internal Revenue Code, such Borrower may make an additional distribution to such shareholder or member in the amount of such deficit with the first quarterly distribution for the immediately following calendar year. In the event that the aggregate amount of such quarterly distributions to any shareholder or member for estimated federal income tax payments exceeds the actual annual federal income tax liability of such shareholder or member based upon the income of such shareholder or member accruing due to the operations of such Borrower, the failure of such shareholder or member, within thirty (30) days after the determination of such shareholder's or member's annual federal income tax liability, to make a member contribution of capital to such Borrower in the amount of such excess shall be an Event of Default under this Agreement.

9.7 Transactions with Affiliates. Borrowers shall not, directly or indirectly, enter into or permit to exist any transaction with any of its Affiliates or with any director, officer or employee of any Borrower other than transactions in the ordinary course of, and pursuant to the reasonable requirements of, the business of the Borrowers and upon fair and reasonable terms which are fully disclosed to the Bank and are no less favorable to the Borrower than would be obtained in a comparable arm's length transaction with a Person that is not an Affiliate of the Borrowers.

9.8 Unconditional Purchase Obligations. No Borrower shall enter into or be a party to any contract for the purchase of materials, supplies or other property or services if such contract requires that payment be made by it regardless of whether delivery is ever made of such materials, supplies or other property or services.

9.9 Cancellation of Debt. No Borrower shall cancel any claim or debt owing to it, except for reasonable consideration or in the ordinary course of business.

9.10 Inconsistent Agreements. No Borrower shall enter into any agreement containing any provision which would (a) be violated or breached by any borrowing by the Borrower hereunder or by the performance by the Borrower or any Subsidiary of any of its Obligations hereunder or under any other Loan Document, (b) prohibit the Borrower or any Subsidiary from granting to the Bank a Lien on any of its assets or (c) create or permit to exist or become effective any encumbrance or restriction on the ability of any Subsidiary to (i) pay dividends or make other distributions to the Borrower or any other Subsidiary, or pay any Debt owed to the Borrower or any other Subsidiary, (ii) make loans or advances to the Borrower or any other Subsidiary, or (iii) transfer any of its assets or properties to the Borrower or any other Subsidiary, other than (A) customary restrictions and conditions contained in agreements relating to the sale of all or a substantial part of the assets of any Subsidiary pending such sale, provided that such restrictions and conditions apply only to the Subsidiary to be sold and such sale is permitted hereunder, (B) restrictions or conditions imposed by any agreement relating to purchase money Debt, Capital Leases and other secured Debt permitted by this Agreement if such restrictions or conditions apply only to the property or assets securing such Debt, and (C) customary provisions in leases and other contracts restricting the assignment thereof.

9.11 Bank Accounts. The Borrower shall not establish any new Deposit Accounts or other bank accounts, other than Deposit Accounts or other bank accounts established at or with the Bank without the prior written consent of the Bank.

9.12 Business Activities; Change of Legal Status and Organizational Documents. No Borrower shall (a) engage in any line of business other than the businesses engaged in on the date hereof and businesses reasonably related thereto, (b) change its name, its Organizational Identification Number, if it has one, its type of organization, its jurisdiction of organization or other legal structure, or (b) permit its charter, bylaws or other organizational documents to be amended or modified in any

way which could reasonably be expected to materially adversely affect the interests of the Bank.

Section 10. FINANCIAL COVENANTS.

10.1 Minimum EBITDA. Holdings shall maintain EBITDA measured quarterly beginning December 31, 2006 equal to or greater than:

\$250,000 at 12/31/06;
\$225,000 at 03/31/07;
\$450,000 at 06/30/07;
\$675,000 at 09/30/07;
\$900,000 at 12/31/07; and
\$250,000 at each quarter end until the loan is repaid in full.

Section 11. EVENTS OF DEFAULT.

The Borrower, without notice or demand of any kind, shall be in default under this Agreement upon the occurrence of any of the following events (each an "Event of Default").

11.1 Nonpayment of Obligations. Any amount due and owing on any Note or any of the Obligations, whether by its terms or as otherwise provided herein, is not paid within five (5) days after notice from the Bank that such amount was not paid when due.

11.2 Misrepresentation. Any oral or written warranty, representation, certificate or statement of any Obligor in this Agreement, the other Loan Documents or any other agreement with the Bank shall be false in any material respect when made or at any time thereafter, or if any financial data or any other information now or hereafter furnished to the Bank by or on behalf of any Obligor shall prove to be false, inaccurate or misleading in any material respect.

11.3 Nonperformance. Any failure to perform or default in the performance of any covenant, condition or agreement contained in this Agreement and, if capable of being cured, such failure to perform or default in performance continues for a period of thirty (30) days after the Borrower receives notice or knowledge from any source of such failure to perform or default in performance, or in the other Loan Documents or any other agreement with the Bank and such failure to perform or default in performance continues beyond any applicable grace or cure period.

11.4 Default under Loan Documents. A default under any of the other Loan Documents, all of which covenants, conditions and agreements contained therein are hereby incorporated in this Agreement by express reference, shall be and constitute an Event of Default under this Agreement and any other of the Obligations.

11.5 Default under Other Debt. Any default by any Obligor in the payment of any Debt for any other obligation beyond any period of grace provided with respect thereto or in the performance of any other term, condition or covenant contained in any agreement (including, but not limited to any capital or operating lease or any agreement in connection with the deferred purchase price of property) under which any such obligation is created, the effect of which default is to cause or permit the holder of such obligation (or the other party to such other agreement) to cause such obligation to become due prior to its stated maturity or terminate such other agreement.

11.6 Other Material Obligations. Any default in the payment when due, or in the performance or observance of, any material obligation of, or condition agreed to by, any Obligor with respect to any material purchase or lease of goods or services where such default, singly or in the aggregate with all other such defaults, would reasonably be expected to have a Material Adverse Effect.

11.7 Bankruptcy, Insolvency, etc. Any Obligor becomes insolvent or generally fails to pay, or admits in writing its inability or refusal to pay, debts as they become due; or any Obligor applies for, consents to, or acquiesces in the appointment of a trustee, receiver or other custodian for such Obligor or any property thereof, or makes a general assignment for the benefit of creditors; or, in the absence of such application, consent or acquiescence, a trustee, receiver or other custodian is appointed for any Obligor or for a substantial part of the property of any thereof and is not discharged within sixty (60) days; or any bankruptcy, reorganization, debt arrangement, or other case or proceeding under any bankruptcy or insolvency law, or any dissolution or liquidation proceeding, is commenced in respect of any Obligor, and if such case or proceeding is not commenced by such Obligor, it is consented to or acquiesced in by such Obligor, or remains undismissed for sixty (60) days; or any Obligor takes any action to authorize, or in furtherance of, any of the foregoing.

11.8 Judgments. The entry of any final judgment, decree, levy, attachment, garnishment or other process, or the filing of any Lien against any Obligor which is not fully covered by insurance.

11.9 Change in Control. The occurrence of any Change in Control.

11.10 Collateral Impairment. The entry of any judgment, decree, levy, attachment, garnishment or other process, or the filing of any Lien against, any of the Collateral or any collateral under a separate security agreement securing any of the Obligations and such judgment or other process shall not have been, within thirty (30) days from the entry thereof, (i) bonded over to the satisfaction of the Bank and appealed, (ii) vacated, or (iii) discharged, or the loss, theft, destruction, seizure or forfeiture, or the occurrence of any deterioration or impairment of any of the Collateral or any of the collateral under any security agreement securing any of the Obligations, or any decline or depreciation in the value or market price thereof (whether actual or reasonably anticipated), which causes the Collateral, in the sole opinion of the Bank

acting in good faith, to become unsatisfactory as to value or character, or which causes the Bank to reasonably believe that it is insecure and that the likelihood for repayment of the Obligations is or will soon be impaired, time being of the essence. The cause of such deterioration, impairment, decline or depreciation shall include, but is not limited to, the failure by the Borrowers to do any act deemed reasonably necessary by the Bank to preserve and maintain the value and collectability of the Collateral.

11.11 Material Adverse Effect. The occurrence of any development, condition or event which has a Material Adverse Effect on the Borrowers.

11.12 Guaranty. There is a discontinuance by Guarantor of the Guaranty, or Guarantor shall contest the validity of such Guaranty.

11.13 Subordinated Debt. The subordination provisions of any Subordinated Debt shall for any reason be revoked or invalid or otherwise cease to be in full force and effect. The Borrowers shall contest in any manner, or any other holder thereof shall contest in any judicial proceeding, the validity or enforceability of the Subordinated Debt or deny that it has any further liability or obligation thereunder, or the Obligations shall for any reason not have the priority contemplated by the subordination provisions of the Subordinated Debt or any Subordinated Lender shall declare a default under any Subordinated Debt.

11.14 Death of Individual. The death or legal declaration of incompetency of any Obligor who is a natural person, provided, however, the death of any Individual Guarantor shall not constitute an Event of Default hereunder if within sixty (60) days following such death or determination of legal incompetency of such Individual Guarantor, a substitute guarantor whose creditworthiness and business experience and skills are comparable to those of the original borrower and who is otherwise acceptable to the Bank in the Bank's sole and absolute discretion, executes this Agreement and Security Agreement in favor of the Bank in form and substance substantially similar to this Agreement.

Section 12. REMEDIES.

Upon the occurrence of an Event of Default, the Bank shall have all rights, powers and remedies set forth in the Loan Documents, in any written agreement or instrument (other than this Agreement or the Loan Documents) relating to any of the Obligations or any security therefor, as a secured party under the UCC or as otherwise provided at law or in equity. Without limiting the generality of the foregoing, the Bank may, at its option upon the occurrence of an Event of Default, declare its commitments to the Borrowers to be terminated and all Obligations to be immediately due and payable, provided, however, that upon the occurrence of an Event of Default under Section 11.7, all commitments of the Bank to the Borrowers shall immediately terminate and all Obligations shall be automatically due and payable, all without demand, notice or further action of any kind required on the part of the Bank. The Borrowers hereby waive any and all presentment, demand, notice of dishonor, protest, and all other

notices and demands in connection with the enforcement of Bank's rights under the Loan Documents, and hereby consents to, and waives notice of release, with or without consideration, of any of the Borrowers or Guarantor or of any Collateral, notwithstanding anything contained herein or in the Loan Documents to the contrary. In addition to the foregoing:

12.1 Possession and Assembly of Collateral. The Bank may, without notice, demand or legal process of any kind, take possession of any or all of the Collateral (in addition to Collateral of which the Bank already has possession), wherever it may be found, and for that purpose may pursue the same wherever it may be found, and may at any time enter into any of Borrowers' premises where any of the Collateral may be or is supposed to be, and search for, take possession of, remove, keep and store any of the Collateral until the same shall be sold or otherwise disposed of and the Bank shall have the right to store and conduct a sale of the same in any of Borrowers' premises without cost to the Bank. At the Bank's request, the Borrowers will, at Borrowers' sole expense, assemble the Collateral and make it available to the Bank at a place or places to be designated by the Bank which is reasonably convenient to the Bank and the Borrowers.

12.2 Sale of Collateral. The Bank may sell any or all of the Collateral at public or private sale, upon such terms and conditions as the Bank may deem proper, and the Bank may purchase any or all of the Collateral at any such sale. The Borrowers acknowledge that the Bank may be unable to effect a public sale of all or any portion of the Collateral because of certain legal and/or practical restrictions and provisions which may be applicable to the Collateral and, therefore, may be compelled to resort to one or more private sales to a restricted group of offerees and purchasers. The Borrowers consent to any such private sale so made even though at places and upon terms less favorable than if the Collateral were sold at public sale. The Bank shall have no obligation to clean-up or otherwise prepare the Collateral for sale. The Bank may apply the net proceeds, after deducting all costs, expenses, attorneys' and paralegals' fees incurred or paid at any time in the collection, protection and sale of the Collateral and the Obligations, to the payment of any Note and/or any of the other Obligations, returning the excess proceeds, if any, to the Borrowers. The Borrowers shall remain liable for any amount remaining unpaid after such application, with interest at the Default Rate. Any notification of intended disposition of the Collateral required by law shall be conclusively deemed reasonably and properly given if given by the Bank at least ten (10) calendar days before the date of such disposition. The Borrowers hereby confirm, approve and ratify all acts and deeds of the Bank relating to the foregoing, and each part thereof, and expressly waives any and all claims of any nature, kind or description which it has or may hereafter have against the Bank or its representatives, by reason of taking, selling or collecting any portion of the Collateral. The Borrowers consent to releases of the Collateral at any time (including prior to default) and to sales of the Collateral in groups, parcels or portions, or as an entirety, as the Bank shall deem commercially reasonable. The Borrowers expressly absolve the Bank from any loss or decline in market value of any Collateral by reason of delay in the enforcement or assertion or nonenforcement of any rights or remedies under this Agreement.

12.3 Standards for Exercising Remedies. To the extent that applicable law imposes duties on the Bank to exercise remedies in a commercially reasonable manner, the Borrowers acknowledge and agree that it is not commercially unreasonable for the Bank (a) to fail to incur expenses reasonably deemed significant by the Bank to prepare Collateral for disposition or otherwise to complete raw material or work-in-process into finished goods or other finished products for disposition, (b) to fail to obtain third party consents for access to Collateral to be disposed of, or to obtain or, if not required by other law, to fail to obtain governmental or third party consents for the collection or disposition of Collateral to be collected or disposed of, (c) to fail to exercise collection remedies against Account Debtors or other Persons obligated on Collateral or to remove liens or encumbrances on or any adverse claims against Collateral, (d) to exercise collection remedies against Account Debtors and other Persons obligated on Collateral directly or through the use of collection agencies and other collection specialists, (e) to advertise dispositions of Collateral through publications or media of general circulation, whether or not the Collateral is of a specialized nature, (f) to contact other Persons, whether or not in the same business as the Borrowers, for expressions of interest in acquiring all or any portion of the Collateral, (g) to hire one or more professional auctioneers to assist in the disposition of Collateral, whether or not the collateral is of a specialized nature, (h) to dispose of Collateral by utilizing internet sites that provide for the auction of assets of the types included in the Collateral or that have the reasonable capability of doing so, or that match buyers and sellers of assets, (i) to dispose of assets in wholesale rather than retail markets, (j) to disclaim disposition warranties, including, without limitation, any warranties of title, (k) to purchase insurance or credit enhancements to insure the Bank against risks of loss, collection or disposition of Collateral or to provide to the Bank a guaranteed return from the collection or disposition of Collateral, or (l) to the extent deemed appropriate by the Bank, to obtain the services of other brokers, investment bankers, consultants and other professionals to assist the Bank in the collection or disposition of any of the Collateral. The Borrowers acknowledge that the purpose of this section is to provide non-exhaustive indications of what actions or omissions by the Bank would not be commercially unreasonable in the Bank's exercise of remedies against the Collateral and that other actions or omissions by the Bank shall not be deemed commercially unreasonable solely on account of not being indicated in this section. Without limitation upon the foregoing, nothing contained in this section shall be construed to grant any rights to the Borrowers or to impose any duties on the Bank that would not have been granted or imposed by this Agreement or by applicable law in the absence of this section.

12.4 UCC and Offset Rights. The Bank may exercise, from time to time, any and all rights and remedies available to it under the UCC or under any other applicable law in addition to, and not in lieu of, any rights and remedies expressly granted in this Agreement or in any other agreements between any Obligor and the Bank, and may, without demand or notice of any kind, appropriate and apply toward the payment of such of the Obligations, whether matured or unmatured, including costs of collection and attorneys' and paralegals' fees, and in such order of application as the Bank may,

from time to time, elect, any indebtedness of the Bank to any Obligor, however created or arising, including, but not limited to, balances, credits, deposits, accounts or moneys of such Obligor in the possession, control or custody of, or in transit to the Bank. Each Borrower, on behalf of itself and each Obligor, hereby waives the benefit of any law that would otherwise restrict or limit the Bank in the exercise of its right, which is hereby acknowledged, to appropriate at any time hereafter any such indebtedness owing from the Bank to any Obligor.

12.5 Additional Remedies. The Bank shall have the right and power to:

(a) instruct a Borrower, at its own expense, to notify any parties obligated on any of the Collateral, including, but not limited to, any Account Debtors, to make payment directly to the Bank of any amounts due or to become due thereunder, or the Bank may directly notify such obligors of the security interest of the Bank, and/or of the assignment to the Bank of the Collateral and direct such obligors to make payment to the Bank of any amounts due or to become due with respect thereto, and thereafter, collect any such amounts due on the Collateral directly from such Persons obligated thereon;

(b) enforce collection of any of the Collateral, including, but not limited to, any Accounts, by suit or otherwise, or make any compromise or settlement with respect to any of the Collateral, or surrender, release or exchange all or any part thereof, or compromise, extend or renew for any period (whether or not longer than the original period) any indebtedness thereunder;

(c) take possession or control of any proceeds and products of any of the Collateral, including the proceeds of insurance thereon;

(d) extend, renew or modify for one or more periods (whether or not longer than the original period) any Note, any other of the Obligations, any obligation of any nature of any other obligor with respect to any Note or any of the Obligations;

(e) grant releases, compromises or indulgences with respect to any Note, any of the Obligations, any extension or renewal of any of the Obligations, any security therefor, or to any other obligor with respect to any Note or any of the Obligations;

(f) transfer the whole or any part of securities which may constitute Collateral into the name of the Bank or the Bank's nominee without disclosing, if the Bank so desires, that such securities so transferred are subject to the security interest of the Bank, and any corporation, association, or any of the managers or trustees of any trust issuing any of such securities, or any transfer agent, shall not be bound to inquire, in the event that the Bank or such nominee makes any further transfer of such securities, or any portion thereof, as to

whether the Bank or such nominee has the right to make such further transfer, and shall not be liable for transferring the same;

(g) vote the Collateral

(h) make an election with respect to the Collateral under Section 1111 of the Bankruptcy Code or take action under Section 364 or any other section of the Bankruptcy Code; provided, however, that any such action of the Bank as set forth herein shall not, in any manner whatsoever, impair or affect the liability of the Borrowers hereunder, nor prejudice, waive, nor be construed to impair, affect, prejudice or waive the Bank's rights and remedies at law, in equity or by statute, nor release, discharge, nor be construed to release or discharge, the Borrowers, any guarantor or other Person liable to the Bank for the Obligations; and

(l) at any time, and from time to time, accept additions to, releases, reductions, exchanges or substitution of the Collateral, without in any way altering, impairing, diminishing or affecting the provisions of this Agreement, the Loan Documents, or any of the other Obligations, or the Bank's rights hereunder, under any Note or under any of the other Obligations.

The Borrowers hereby ratify and confirm whatever the Bank may do with respect to the Collateral and agrees that the Bank shall not be liable for any error of judgment or mistakes of fact or law with respect to actions taken in connection with the Collateral.

12.6 Attorney-in-Fact. Each Borrower hereby irrevocably makes, constitutes and appoints the Bank (and any officer of the Bank or any Person designated by the Bank for that purpose) as Borrowers' true and lawful proxy and attorney-in-fact (and agent-in-fact) in Borrowers' name, place and stead, with full power of substitution, to (i) take such actions as are permitted in this Agreement, (ii) execute such financing statements and other documents and to do such other acts as the Bank may require to perfect and preserve the Bank's security interest in, and to enforce such interests in the Collateral, and (iii) carry out any remedy provided the Bank in this Agreement, including, without limitation, endorsing Borrowers' name to checks, drafts, instruments and other items of payment, and proceeds of the Collateral, executing change of address forms with the postmaster of the United States Post Office serving the address of the Borrowers, changing the address of the Borrowers to that of the Bank, opening all envelopes addressed to the Borrowers and applying any payments contained therein to the Obligations. The Borrowers hereby acknowledge that the constitution and appointment of such proxy and attorney-in-fact are coupled with an interest and are irrevocable. The Borrowers hereby ratify and confirm all that such attorney-in-fact may do or cause to be done by virtue of any provision of this Agreement.

12.7 No Marshaling. The Bank shall not be required to marshal any present or future collateral security (including but not limited to this Agreement and the Collateral) for, or other assurances of payment of, the Obligations or any of them or to resort to

such collateral security or other assurances of payment in any particular order. To the extent that it lawfully may, Borrowers hereby agree that it will not invoke any law relating to the marshaling of collateral which might cause delay in or impede the enforcement of the Bank's rights under this Agreement or under any other instrument creating or evidencing any of the Obligations or under which any of the Obligations is outstanding or by which any of the Obligations is secured or payment thereof is otherwise assured, and, to the extent that it lawfully may, the Borrowers hereby irrevocably waive the benefits of all such laws.

12.8 Application of Proceeds. The Bank will within three (3) Business Days after receipt of cash or solvent credits from collection of items of payment, proceeds of Collateral or any other source, apply the whole or any part thereof against the Obligations secured hereby. The Bank shall further have the exclusive right to determine how, when and what application of such payments and such credits shall be made on the Obligations, and such determination shall be conclusive upon the Borrowers. Any proceeds of any disposition by the Bank of all or any part of the Collateral may be first applied by the Bank to the payment of expenses incurred by the Bank in connection with the Collateral, including attorneys' fees and legal expenses as provided for in Section 13 hereof.

12.9 No Waiver. No Event of Default shall be waived by the Bank except in writing. No failure or delay on the part of the Bank in exercising any right, power or remedy hereunder shall operate as a waiver of the exercise of the same or any other right at any other time; nor shall any single or partial exercise of any such right, power or remedy preclude any other or further exercise thereof or the exercise of any other right, power or remedy hereunder. There shall be no obligation on the part of the Bank to exercise any remedy available to the Bank in any order. The remedies provided for herein are cumulative and not exclusive of any remedies provided at law or in equity. Borrowers agree that in the event that the Borrowers fail to perform, observe or discharge any of their Obligations or liabilities under this Agreement or any other agreements with the Bank, no remedy of law will provide adequate relief to the Bank, and further agree that the Bank shall be entitled to temporary and permanent injunctive relief in any such case without the necessity of proving actual damages.

Section 13. MISCELLANEOUS.

13.1 Obligations Absolute. None of the following shall affect the Obligations of the Borrowers to the Bank under this Agreement or the Bank's rights with respect to the Collateral:

- (a) acceptance or retention by the Bank of other property or any interest in property as security for the Obligations;
- (b) release by the Bank of any of the Borrowers or Guarantor or of all or any part of the Collateral or of any party liable with respect to the Obligations;

(c) release, extension, renewal, modification or substitution by the Bank of any Note, or any note evidencing any of the Obligations, or the compromise of the liability of any guarantor or of the Obligations; or

(d) failure of the Bank to resort to any other security or to pursue the Borrowers or any other obligor liable for any of the Obligations before resorting to remedies against the Collateral.

13.2 Entire Agreement. This Agreement and the other Loan Documents (i) are valid, binding and enforceable against the Borrowers and the Bank in accordance with their respective provisions and no conditions exist as to their legal effectiveness; (ii) constitute the entire agreement between the parties with respect to the subject matter hereof and thereof; and (iii) are the final expression of the intentions of the Borrowers and the Bank. No promises, either expressed or implied, exist between the Borrowers and the Bank, unless contained herein or therein. This Agreement, together with the other Loan Documents, supersedes all negotiations, representations, warranties, commitments, term sheets, discussions, negotiations, offers or contracts (of any kind or nature, whether oral or written) prior to or contemporaneous with the execution hereof with respect to any matter, directly or indirectly related to the terms of this Agreement and the other Loan Documents. This Agreement and the other Loan Documents are the result of negotiations among the Bank, the Borrowers and the other parties thereto, and have been reviewed (or have had the opportunity to be reviewed) by counsel to all such parties, and are the products of all parties. Accordingly, this Agreement and the other Loan Documents shall not be construed more strictly against the Bank merely because of the Bank's involvement in their preparation.

13.3 Amendments; Waivers. No delay on the part of the Bank in the exercise of any right, power or remedy shall operate as a waiver thereof, nor shall any single or partial exercise by the Bank of any right, power or remedy preclude other or further exercise thereof, or the exercise of any other right, power or remedy. No amendment, modification or waiver of, or consent with respect to, any provision of this Agreement or the other Loan Documents shall in any event be effective unless the same shall be in writing and acknowledged by the Bank, and then any such amendment, modification, waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

13.4 FORUM SELECTION AND CONSENT TO JURISDICTION. ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT, SHALL BE BROUGHT AND MAINTAINED EXCLUSIVELY IN THE COURTS OF THE STATE OF ILLINOIS OR IN THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS; PROVIDED THAT NOTHING IN THIS AGREEMENT SHALL BE DEEMED OR OPERATE TO PRECLUDE THE BANK FROM BRINGING SUIT OR TAKING OTHER LEGAL ACTION IN ANY OTHER JURISDICTION. THE BORROWER HEREBY EXPRESSLY AND IRREVOCABLY SUBMITS TO THE JURISDICTION OF THE COURTS OF THE STATE OF ILLINOIS AND OF THE UNITED STATES

DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS FOR THE PURPOSE OF ANY SUCH LITIGATION AS SET FORTH ABOVE. THE BORROWER FURTHER IRREVOCABLY CONSENTS TO THE SERVICE OF PROCESS BY REGISTERED MAIL, POSTAGE PREPAID, OR BY PERSONAL SERVICE WITHIN OR WITHOUT THE STATE OF ILLINOIS. THE BORROWER HEREBY EXPRESSLY AND IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY SUCH LITIGATION BROUGHT IN ANY SUCH COURT REFERRED TO ABOVE AND ANY CLAIM THAT ANY SUCH LITIGATION HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

13.5 WAIVER OF JURY TRIAL. THE BANK AND THE BORROWERS, AFTER CONSULTING OR HAVING HAD THE OPPORTUNITY TO CONSULT WITH COUNSEL, EACH KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE IRREVOCABLY, ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO ENFORCE OR DEFEND ANY RIGHTS UNDER THIS AGREEMENT, ANY NOTE, ANY OTHER LOAN DOCUMENT, ANY OF THE OTHER OBLIGATIONS, THE COLLATERAL, OR ANY AMENDMENT, INSTRUMENT, DOCUMENT OR AGREEMENT DELIVERED OR WHICH MAY IN THE FUTURE BE DELIVERED IN CONNECTION HEREWITH OR THEREWITH OR ARISING FROM ANY LENDING RELATIONSHIP EXISTING IN CONNECTION WITH ANY OF THE FOREGOING, OR ANY COURSE OF CONDUCT OR COURSE OF DEALING IN WHICH THE BANK AND THE BORROWER ARE ADVERSE PARTIES, AND EACH AGREES THAT ANY SUCH ACTION OR PROCEEDING SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY. THIS PROVISION IS A MATERIAL INDUCEMENT FOR THE BANK GRANTING ANY FINANCIAL ACCOMMODATION TO THE BORROWER.

13.6 Assignability. The Bank may at any time assign the Bank's rights in this Agreement, the other Loan Documents, the Obligations, or any part thereof and transfer the Bank's rights in any or all of the Collateral, and the Bank thereafter shall be relieved from all liability with respect to such Collateral. In addition, the Bank may at any time sell one or more participations in the Loans. The Borrowers may not sell or assign this Agreement, or any other agreement with the Bank or any portion thereof, either voluntarily or by operation of law, without the prior written consent of the Bank. This Agreement shall be binding upon the Bank and the Borrowers and their respective legal representatives and successors. All references herein to Borrowers shall be deemed to include any successors, whether immediate or remote. In the case of a joint venture or partnership, the term "Borrowers" shall be deemed to include all joint venturers or partners thereof, who shall be jointly and severally liable hereunder.

13.7 Confirmations. The Borrowers and the Bank agree from time to time, upon written request received by it from the other, to confirm to the other in writing the aggregate unpaid principal amount of the Loans then outstanding under such Note.

13.8 Confidentiality. The Bank agrees to use commercially reasonable efforts (equivalent to the efforts the Bank applies to maintain the confidentiality of its own confidential information) to maintain as confidential all information provided to them by the Borrowers and designated as confidential, except that the Bank may disclose such information (a) to Persons employed or engaged by the Bank in evaluating, approving, structuring or administering the Loans; (b) to any assignee or participant or potential assignee or participant that has agreed to comply with the covenant contained in this Section 13.9 (and any such assignee or participant or potential assignee or participant may disclose such information to Persons employed or engaged by them as described in clause (a) above); (c) as required or requested by any federal or state regulatory authority or examiner, or any insurance industry association, or as reasonably believed by the Bank to be compelled by any court decree, subpoena or legal or administrative order or process; (d) as, on the advice of the Bank's counsel, is required by law; (e) in connection with the exercise of any right or remedy under the Loan Documents or in connection with any litigation to which the Bank is a party; (f) to any nationally recognized rating agency that requires access to information about the Bank's investment portfolio in connection with ratings issued with respect to the Bank; (g) to any Affiliate of the Bank who may provide Bank Products to the Borrowers or any Subsidiary, or (h) that ceases to be confidential through no fault of the Bank.

13.9 Binding Effect. This Agreement shall become effective upon execution by the Borrowers and the Bank. If this Agreement is not dated or contains any blanks when executed by the Borrowers, the Bank is hereby authorized, without notice to the Borrowers, to date this Agreement as of the date when it was executed by the Borrowers, and to complete any such blanks according to the terms upon which this Agreement is executed.

13.10 Governing Law. This Agreement, the Loan Documents and any Note shall be delivered and accepted in and shall be deemed to be contracts made under and governed by the internal laws of the State of Illinois (but giving effect to federal laws applicable to banks) applicable to contracts made and to be performed entirely within such state, without regard to conflict of laws principles.

13.11 Enforceability. Wherever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by, unenforceable or invalid under any jurisdiction, such provision shall as to such jurisdiction, be severable and be ineffective to the extent of such prohibition or invalidity, without invalidating the remaining provisions of this Agreement or affecting the validity or enforceability of such provision in any other jurisdiction.

13.12 Survival of Borrowers Representations. All covenants, agreements, representations and warranties made by the Borrowers herein shall, notwithstanding any investigation by the Bank, be deemed material and relied upon by the Bank and shall survive the making and execution of this Agreement and the Loan Documents and the issuance of any Note, and shall be deemed to be continuing representations and

warranties until such time as Borrowers have fulfilled all of its Obligations to the Bank, and the Bank has been indefeasibly paid in full in cash. The Bank, in extending financial accommodations to the Borrowers, is expressly acting and relying on the aforesaid representations and warranties.

13.13 Extensions of Bank's Commitment. This Agreement shall secure and govern the terms of (i) any extensions or renewals of the Bank's commitment hereunder, and (ii) any replacement note executed by the Borrowers and accepted by the Bank in its sole and absolute discretion in substitution for any Note.

13.14 Time of Essence. Time is of the essence in making payments of all amounts due the Bank under this Agreement and in the performance and observance by the Borrowers of each covenant, agreement, provision and term of this Agreement.

13.15 Counterparts; Facsimile Signatures. This Agreement may be executed in any number of counterparts and by the different parties hereto on separate counterparts and each such counterpart shall be deemed to be an original, but all such counterparts shall together constitute but one and the same Agreement. Receipt of an executed signature page to this Agreement by facsimile or other electronic transmission shall constitute effective delivery thereof. Electronic records of executed Loan Documents maintained by the Bank shall be deemed to be originals thereof.

13.16 Notices. Except as otherwise provided herein, the Borrowers waive all notices and demands in connection with the enforcement of the Bank's rights hereunder. All notices, requests, demands and other communications provided for hereunder shall be in writing and addressed as follows:

If to the Borrowers: Central Illinois Railroad Holdings LLC
123 Market Street, Suite 320
Willow Springs, Illinois 60480
Attention: Mr. Robert Pachmayer

If to the Bank: The Leaders Bank
2001 York Road, Suite 150
Oak Brook, Illinois 60523
Attention: Mr. James Conlin

or, as to each party, at such other address as shall be designated by such party in a written notice to each other party complying as to delivery with the terms of this subsection. All notices addressed as above shall be deemed to have been properly given (i) if served in person, upon acceptance or refusal of delivery; (ii) if mailed by certified or registered mail, return receipt requested, postage prepaid, on the third (3rd) day following the day such notice is deposited in any post office station or letter box; or (iii) if sent by recognized overnight courier, on the first (1st) day following the day such notice is delivered to such carrier. No notice to or demand on the Borrowers in any

case shall entitle the Borrowers to any other or further notice or demand in similar or other circumstances.

13.17 Release of Claims Against Bank. In consideration of the Bank making the Loans, each Borrower and all other Obligors do each hereby release and discharge the Bank of and from any and all claims, harm, injury, and damage of any and every kind, known or unknown, legal or equitable, which any Obligor may have against the Bank from the date of their respective first contact with the Bank until the date of this Loan Agreement including, but not limited to, any claim arising from any reports (environmental reports, surveys, appraisals, etc.) prepared by any parties hired or recommended by the Bank. The Borrowers and all other Obligors confirm to Bank that they have reviewed the effect of this release with competent legal counsel of their choice, or have been afforded the opportunity to do so, prior to execution of this Loan Agreement and the Loan Documents and do each acknowledge and agree that the Bank is relying upon this release in extending the Loans to the Borrowers.

13.18 Costs, Fees and Expenses. The Borrowers shall pay or reimburse the Bank for all reasonable costs, fees and expenses incurred by the Bank or for which the Bank becomes obligated in connection with the negotiation, preparation, consummation of this Agreement (up to \$15,000 plus out of pocket expenses), collection of the Obligations or enforcement of this Agreement, the other Loan Documents and all other documents provided for herein or delivered or to be delivered hereunder or in connection herewith (including any amendment, supplement or waiver to any Loan Document), or during any workout, restructuring or negotiations in respect thereof, including, without limitation, reasonable consultants' fees and attorneys' fees and time charges of counsel to the Bank, which shall also include attorneys' fees and time charges of attorneys who may be employees of the Bank or any Affiliate of the Bank, plus costs and expenses of such attorneys or of the Bank; search fees, costs and expenses; and all taxes payable in connection with this Agreement or the other Loan Documents, whether or not the transaction contemplated hereby shall be consummated. In furtherance of the foregoing, the Borrowers shall pay any and all stamp and other taxes, UCC and Surface Transportation Board search fees, filing fees and other costs and expenses in connection with the execution and delivery of this Agreement, any Note and the other Loan Documents to be delivered hereunder, and agrees to save and hold the Bank harmless from and against any and all liabilities with respect to or resulting from any delay in paying or omission to pay such costs and expenses. That portion of the Obligations consisting of costs, expenses or advances to be reimbursed by the Borrowers to the Bank pursuant to this Agreement or the other Loan Documents which are not paid on or prior to the date hereof shall be payable by the Borrowers to the Bank on demand. If at any time or times hereafter the Bank: (a) employs counsel for advice or other representation (i) with respect to this Agreement or the other Loan Documents, (ii) to represent the Bank in any litigation, contest, dispute, suit or proceeding or to commence, defend, or intervene or to take any other action in or with respect to any litigation, contest, dispute, suit, or proceeding (whether instituted by the Bank, the Borrowers, or any other Person) in any way or respect relating to this Agreement, the other Loan Documents or Borrowers' business or affairs, or (iii) to

enforce any rights of the Bank against the Borrowers or any other Person that may be obligated to the Bank by virtue of this Agreement or the other Loan Documents; (b) takes any action to protect, collect, sell, liquidate, or otherwise dispose of any of the Collateral; and/or (c) attempts to or enforces any of the Bank's rights or remedies under the Agreement or the other Loan Documents, the costs and expenses incurred by the Bank in any manner or way with respect to the foregoing, shall be part of the Obligations, payable by the Borrowers to the Bank on demand.

13.19 Indemnification. Each Borrower, jointly and severally, agrees to defend (with counsel satisfactory to the Bank), protect, indemnify, exonerate and hold harmless each Indemnified Party from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, claims, costs, expenses and distributions of any kind or nature (including, without limitation, the disbursements and the reasonable fees of counsel for each Indemnified Party thereto, which shall also include, without limitation, reasonable attorneys' fees and time charges of attorneys who may be employees of any Indemnified Party), which may be imposed on, incurred by, or asserted against, any Indemnified Party (whether direct, indirect or consequential and whether based on any federal, state or local laws or regulations, including, without limitation, securities laws, Environmental Laws, commercial laws and regulations, under common law or in equity, or based on contract or otherwise) in any manner relating to or arising out of this Agreement or any of the Loan Documents, or any act, event or transaction related or attendant thereto, the preparation, execution and delivery of this Agreement and the Loan Documents, including, but not limited to, the making or issuance and management of the Loans, the use or intended use of the proceeds of the Loans, the enforcement of the Bank's rights and remedies under this Agreement, the Loan Documents, any Note, any other instruments and documents delivered hereunder, or under any other agreement between the Borrowers and the Bank; provided, however, that the Borrowers shall not have any obligations hereunder to any Indemnified Party with respect to matters determined by a court of competent jurisdiction by final and nonappealable judgment to have been caused by or resulting from the willful misconduct or gross negligence of such Indemnified Party. To the extent that the undertaking to indemnify set forth in the preceding sentence may be unenforceable because it violates any law or public policy, the Borrowers shall satisfy such undertaking to the maximum extent permitted by applicable law. Any liability, obligation, loss, damage, penalty, cost or expense covered by this indemnity shall be paid to each Indemnified Party on demand, and failing prompt payment, together with interest thereon at the Default Rate from the date incurred by each Indemnified Party until paid by the Borrowers, shall be added to the Obligations of the Borrowers and be secured by the Collateral. The provisions of this Section shall survive the satisfaction and payment of the other Obligations and the termination of this Agreement.

13.20 Revival and Reinstatement of Obligations. If the incurrence or payment of the Obligations by any Obligor or the transfer to the Bank of any property should for any reason subsequently be declared to be void or voidable under any state or federal law relating to creditors' rights, including provisions of the Bankruptcy Code relating to fraudulent conveyances, preferences, or other voidable or recoverable payments of

money or transfers of property (collectively, a "Voidable Transfer"), and if the Bank is required to repay or restore, in whole or in part, any such Voidable Transfer, or elects to do so upon the reasonable advice of its counsel, then, as to any such Voidable Transfer, or the amount thereof that the Bank is required or elects to repay or restore, and as to all reasonable costs, expenses, and attorneys fees of the Bank, the Obligations shall automatically shall be revived, reinstated, and restored and shall exist as though such Voidable Transfer had never been made.

13.21 Customer Identification - USA Patriot Act Notice. The Bank hereby notifies the Borrowers that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56, signed into law October 26, 2001) (the "Act"), and the Bank's policies and practices, the Bank is required to obtain, verify and record certain information and documentation that identifies the Borrowers, which information includes the name and address of the Borrowers and such other information that will allow the Bank to identify the Borrowers in accordance with the Act.

Signature pages follow.

IN WITNESS WHEREOF, the Borrowers and the Bank have executed this Loan and Security Agreement as of the date first above written.

BORROWERS:

CENTRAL ILLINOIS RAILROAD HOLDINGS LLC , an Illinois limited liability company By: <u>Robert J. Pachmayer</u> Robert J. Pachmayer, as manager	CENTRAL ILLINOIS RAILROAD COMPANY , an Illinois corporation By: <u>Robert J. Pachmayer</u> _____, as President
CENTRAL RAILGROUP CONSTRUCTION SERVICES LLC , an Illinois limited liability company By: <u>Robert J. Pachmayer</u> Robert J. Pachmayer, as manager	CENTRAL RAILINK SERVICES LLC , an Illinois limited liability company By: <u>Robert J. Pachmayer</u> Robert J. Pachmayer, as manager

Agreed and accepted:

THE LEADERS BANK, an Illinois banking corporation

By: James Conlin
Name: JAMES T. CONLIN
Title: SVP - COMM. BANKING

STATE OF ILLINOIS)
)
COUNTY OF DuPage) SS

The undersigned, a Notary Public in and for said County, in the State aforesaid, DOES HEREBY CERTIFY that Robert J. Pachmayer, as President of CENTRAL ILLINOIS RAILROAD COMPANY, an Illinois corporation, whose name is subscribed to the foregoing instrument, appeared before me this day in person and acknowledged that as such authorized officer, he signed and delivered the said instrument as his free and voluntary act and as the free and voluntary act of said corporation, for the uses and purposes therein set forth and pursuant to such corporation's authority.

GIVEN under my hand and Notarial Seal on August 18, 2006.

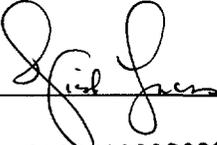


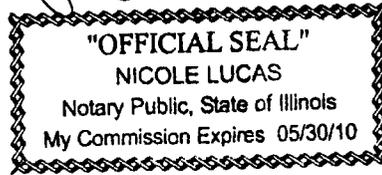
"OFFICIAL SEAL"
NICOLE LUCAS
Notary Public, State of Illinois
My Commission Expires 05/30/10

STATE OF ILLINOIS)
)
COUNTY OF DuPage)
) SS

The undersigned, a Notary Public in and for said County, in the State aforesaid, DOES HEREBY CERTIFY that Robert J. Pachmayer, as Manager of CENTRAL ILLINOIS RAILROAD HOLDINGS LLC, an Illinois limited liability company, whose name is subscribed to the foregoing instrument, appeared before me this day in person and acknowledged that as such authorized officer, he signed and delivered the said instrument as his free and voluntary act and as the free and voluntary act of said corporation, for the uses and purposes therein set forth and pursuant to such company's authority.

GIVEN under my hand and Notarial Seal on August 18, 2006.





DISCLOSURE SCHEDULES
To LOAN AND SECURITY AGREEMENT

1001017
and
1001018

Introduction

The attached constitute the disclosure schedules (the "Schedules") to the Loan and Security Agreement dated as of August 18, 2006, (the "Agreement") by and among CENTRAL ILLINOIS RAILROAD HOLDINGS LLC, an Illinois limited liability company ("Holdings"), CENTRAL ILLINOIS RAILROAD COMPANY, an Illinois corporation ("Railroad"), CENTRAL RAILGROUP CONSTRUCTION SERVICES LLC, an Illinois limited liability company ("Railgroup") and CENTRAL RAILINK SERVICES LLC, an Illinois limited liability company ("Railink") (individually, a "Borrower" and collectively, the "Borrowers"), and THE LEADERS BANK, an Illinois banking corporation (the "Bank").

1. Capitalized terms used herein and not otherwise defined herein shall have the meanings given to such terms in the Agreement.

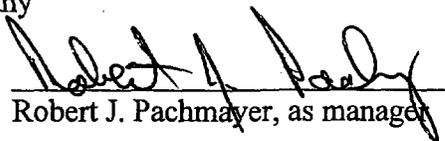
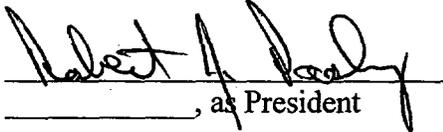
2. The inclusion of any matter, fact, or item herein shall not be construed as an admission of the materiality of such matter, fact or item, or as indicating any other matter, fact or item is or would be material in such context or any other context. Items disclosed in one Schedule shall be deemed disclosed pursuant to any other Schedule to the extent the relevance of such disclosure to such other disclosure is reasonably apparent.

3. The following Schedules are qualified in their entirety by reference to the specific provisions of the Agreement, are not intended to constitute and shall not be construed as constituting representations or warranties of the Borrowers, except to the extent provided in the Agreement.

4. Matters reflected in the following Schedules are not necessarily limited to matters required by the Agreement to be reflected in the Schedules. Such additional matters are set forth for informational purposes only and the Schedules do not necessarily include other matters of similar nature.

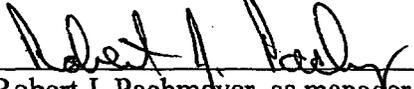
5. Headings have been inserted on the Schedules for convenience of reference only and shall not have the effect of amending or changing the express description of the Schedules as set forth in the Agreement.

BORROWERS:

CENTRAL ILLINOIS RAILROAD HOLDINGS LLC , an Illinois limited liability company By:  Robert J. Pachmayer, as manager	CENTRAL ILLINOIS RAILROAD COMPANY , an Illinois corporation By:  _____, as President
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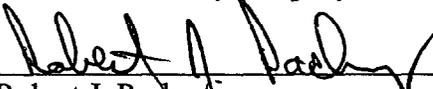
**CENTRAL RAILGROUP
CONSTRUCTION SERVICES LLC,**
an Illinois limited liability company

By:


Robert J. Pachmayer, as manager

CENTRAL RAILINK SERVICES LLC,
an Illinois limited liability company

By:


Robert J. Pachmayer, as manager

Agreed and accepted:

THE LEADERS BANK, an Illinois banking
corporation

By:



Name:

JAMES T. CONLIN

Title:

SVP - COMM. BANKING

SCHEDULE 7.1

BORROWERS ORGANIZATION AND NAMES

No disclosure

SCHEDULE 7.2

AUTHORIZATION

No disclosure

SCHEDULE 7.3

VALIDITY AND BINDING NATURE

No disclosure

SCHEDULE 7.4

CONSENT; ABSENCE OF BREACH

Reference is made to the Schedule 3.c of the Purchase Agreement and the following third party consents requested in connection with the Purchase Agreement:

1. Consent of the Department of the Army Ft. Campbell Army Base - Kentucky/Tennessee as required pursuant to that certain Agreement by and between D.O.T. Rail Service, Inc. ("DOT Rail Service") and the Department of Defense - Department of the Army Ft. Campbell Army Base - Kentucky/Tennessee (as extended most recently on June 7, 2006).
2. Consent of NACME Steel Processing as required by Section 13 of the terms and conditions attached to that certain Purchase Order with DOT Rail Service dated [January 9, 2004].
3. Consent of BNSF Railway Company required by that certain Agreement dated June 4, 1997 by and between DOT Rail Service and BNSF Railway Company.
4. Consent of Equistar Chemicals, LP ("Equistar") as required by that certain Agreement dated June 14, 2006 by and between DOT Rail Service and Equistar.
5. Consent of Solutia, Inc. as required by Section 13 of the terms and conditions attached to that certain Purchase Order with DOT Rail Service dated May 1, 2006.
6. Consent of Union Pacific Railroad Company ("Union") as required by Section 21 of that certain Contract For Work or Services dated March 27, 2000, by and between Union and DOT Rail Services.
7. Consent of the City of Peoria, Illinois ("City of Peoria") as required by Section 12 of that certain Agreement dated June 26, 2000, by and between the City of Peoria and DOT Rail Service.
8. Consent of ISG - Hennepin, Inc. ("ISG") as required by Section 16 of the terms and conditions attached to that certain Purchase Order with DOT Rail Service dated March 22, 2006.
9. Consent of International Steel Group, Inc. ("ISG") as required by Section 10 of that certain Contractor Agreement dated March 21, 2003, by and between ISG and DOT Rail Service.
10. Consent of Barilla America, Inc. ("Barilla") as required by Section 15 of that certain Contract for Rail Switching Services dated December 3, 1998, by and between Barilla and D.O.T Rail Service of Indiana, Inc.
11. Consent of Kellogg Company ("Kellogg") as required by Section 10.1 of that certain Rail Operations Services Agreement dated March 24, 2004, by and between Kellogg and D.O.T Rail Service of Indiana, Inc.
12. Acceptance of the Central Illinois Railroad Company, Inc.'s obligations under that certain Agreement for the Lease of the Lumber District and a Portion of the Illinois Northern Line of The Burlington Northern and Santa Fe Railway Company to The

Central Illinois Railroad Company ("Central") dated November 6, 2000 (the "Burlington Track Lease"), by and between The Burlington Northern and Santa Fe Railway Company and Central as required by Section 16 of the Burlington Track Lease.

13. Consent of Union as required by Section 23.04 of that certain Lease Agreement dated April 18, 2001, by and between Union and Central. Note that in addition to such consent, Union requires as a condition precedent that Central first secure the approval of the Surface Transportation Board and/or such other regulatory approvals as may then be required.
14. Consent of Bulkmatic Railroad Corporation ("Bulkmatic") as required by Section 12.05 of that certain Operating Agreement dated January 1, 2002, by and between Bulkmatic and Chicago Heights Switching Company ("Chicago Heights")
15. Consent of Bulkmatic as required by Section 11 of that certain Locomotive Lease Agreement dated March 27, 2002, by and between Bulkmatic and Chicago Heights.
16. Consent of Security Leasing Services, Inc. ("Security Leasing") as required by Section 18 of that certain Equipment Financing Agreement dated May 23, 2003, by and between DOT Rail Service and Security Leasing.
17. Consent of Dell Financial Services L.P. ("Dell") as required by that certain Lease Agreement dated February 20, 2002, by and between DOT Rail Service and Dell.
18. Consent of DaimlerChrysler Services North America LLC ("DaimlerChrysler") as required by Section 7 of that certain Direct Purchase Money Loan and Security Agreement dated October 1, 2004, by and between DOT Rail Service and DaimlerChrysler (equipment purchased was 2004 Tractor Model LT9513, Serial Number 2FWJAS74AM87732).
19. Consent of V&H, Inc. ("V&H") as required by Section 8 of that certain Lease Agreement dated June 1, 2005, by and between V&H (affiliate of DaimlerChrysler Services Truck Finance) and DOT Rail Service.
20. Consent of Enterprise Leasing Company of Chicago ("Enterprise") as required by Section 15 of that certain Master Equity Lease Agreement dated June 12, 2002, by and between Enterprise and DOT Rail Service.
21. Consent required, if any, under any written customer contract between or among any Seller and Morgan/Harbour Construction (or any affiliate thereof).
22. Consent required, if any, under any written customer contract between or among any Seller and Phoenix Closures (or any affiliate thereof).
23. Consent required, if any, under any written contract between or among any Seller and Ford Motor Credit (or any affiliate thereof).
24. Consent required, if any, under any written contract between or among any Seller and Case Credit (or any affiliate thereof).
25. Surface Transportation Board approval.
26. Reference is made to Schedule 7.5.

SCHEDULE 7.5

OWNERSHIP OF PROPERTIES; LIENS

Reference is made to Schedule 3.e of the Purchase Agreement, which contains the following information:

1. D.O.T. Rail Service, Inc.
 - a. Leased Equipment
 1. D.O.T. Rail Service, Inc. leases various pieces of equipment from D.O.T. Rail Service of Indiana, Inc., lease is dated January 1, 2003.
 2. D.O.T. Rail Service, Inc. leases seven (7) vehicles from D.O.T. Rail Service of Indiana, Inc., lease is dated January 1, 2003.
 3. D.O.T. Rail Service, Inc. leases three (4) vehicles from Enterprise Fleet Services, Master Equity Lease Agreement is dated July 23, 2002.
 4. D.O.T. Rail Service, Inc. leases a 2005 Sterling with robotics, magnet and hi-rail gear from Daimler Chrysler Services, lease is dated June 1, 2005.
 5. D.O.T. Rail Service, Inc. leases a Dell server from Dell Financial Services L.P., lease is dated February 20, 2002.
 6. D.O.T. Rail Service, Inc. uses the following equipment owned by Don Gibson under an oral lease, lease commenced in 2004:

Locomotive #1211
Miscellaneous Tools & Equipment
TR-10 Production Tie Inserter
Mark I Switch Tamper
Pettibone Speed Swings w/buckets #1
Pettibone Speed Swings w/buckets #2
Ford Backhoe
 7. D.O.T. Rail Service, Inc. uses the following equipment owned by Don Gibson and Paula Gibson under an oral lease, lease commenced April, 2005.

Pandroll Jackson Ballast Regulator #1
Pandroll Jackson Ballast Regulator #2
Pandroll Jackson Tie Inserter
 - b. Liens on Equipment
 1. Granville National Bank has a lien on all business assets securing

the following loans (all of which will be fully paid on the Closing Date):

- a. Loan 53150 - purchase of equipment
- b. Loan 53855 - purchase of equipment
- c. Loan 55031 - purchase of 2003 Navigator
- d. Loan 56725 - consolidation of operating loan and loan for for taxes
- e. Loan 56734 - operating loan

2. North Central Bank has a lien on all business assets securing the following loan (which will be fully paid on the Closing Date):

Loan 2003573 - purchase of 1987 Rotary Dump

3. Ford Motor Credit has liens on the following vehicles under retail installment contract:

- a. 2004 Ford Escape
- b. 2005 F350
- c. 2005 Ford Escape

4. Case Credit has liens on the following equipment under capital lease agreements:

- a. Case 621D Wheel Loader #JEE0135727
- b. Case 621D Wheel Loader #JEE0135071

5. Security Leasing Services, Inc. has a lien on the 2003 Landoll Trailer under a capital lease agreement.

6. Daimler-Chrysler Services North America, LLC has a lien on the 2004 Sterling Semi-Tractor under a capital lease agreement and a lien on the 2005 Sterling Hyrail under an operating lease agreement.

2. Heartland Track Works, Inc.

Liens on Equipment

Granville National Bank has a lien on all business assets securing the following loans (all of which will be fully paid on the Closing Date):

1. Loan 53242 - purchase of trackmobile
2. Loan 56264 - operating loan
3. Loan 56726 - operating loan

3. D.O.T. Rail Service of Indiana, Inc.

- a. D.O.T. Rail Service of Indiana, Inc. leases two (2) locomotive engines from D.O.T. Rail Service, Inc., lease is dated January 1, 2002.
- b. D.O.T. Rail Service of Indiana, Inc. leases a 2000 F150 Pick Up Truck from D.O.T. Rail Service, Inc., lease is dated January 1, 2003.

4. Central Illinois Railroad Company, Inc.

- a. Central Illinois Railroad Company leases four (4) locomotive engines from D.O.T. Rail Service, Inc., lease is dated January 1, 2002.
- b. Central uses a trackmobile owned by Heartland Track Works, Inc. for which there is only an oral lease, such lease commenced in August, 2005.
- c. Central uses a 2004 Ford Escape owned by D.O.T. Rail Service, Inc. for which there is only an oral lease, such lease commenced in November, 2005.

5. Chicago Heights Switching Company, Inc.

Chicago Heights Switching Company leases a locomotive engine from Bulkmatic Railroad Corporation, lease is dated March 27, 2002.

SCHEDULE 7.6

EQUITY OWNERSHIP

No disclosure

SCHEDULE 7.7

INTELLECTUAL PROPERTY

No disclosure

SCHEDULE 7.8

FINANCIAL STATEMENTS

No disclosure

SCHEDULE 7.9

LITIGATION AND CONTINGENT LIABILITIES

Reference is made to Schedule 3.t of the Purchase Agreement, which contains the following disclosure:

1. D.O.T. Rail Service, Inc.

- a. Pioneer Industrial Railway Co. v. D.O.T. Rail Service, Inc.,
Central Illinois Railroad Company, City of Peoria, Illinois and
Village of Peoria Heights
Tazewell County, Illinois Circuit Court #06-L-27
Attorney: Hasselberg, Williams, et al (309) 637-1400
David Wentworth

Plaintiff operated over track owned by City of Peoria pursuant to a lease. City of Peoria ordered Plaintiff to cease operations and ordered Central Illinois Railroad Company to begin its operations over the subject track after Surface Transportation Board ruling. Plaintiff is alleging breach of contract; interference with a contract; etc. Answer to be filed by D.O.T. Rail Service, Inc. and Central Illinois Railroad Company by June 20, 2006.

- b. Rex Alan Barker v. D.O.T. Rail Service, Inc.
LaMar County, Alabama Circuit Court CV-06-012
Attorney: Jackie O. Isom (205) 921-7488

Plaintiff claims that D.O.T. Rail Service, Inc. hired him between April, 2002 and September, 2002 to provide professional services to the corporation in exchange for a salary of \$70,000 annually, commissions, health insurance and reimbursement for expenses.

D.O.T. Rail Service, Inc. is contesting jurisdiction. Our responses to Plaintiff's discovery requests are due June 17, 2006.

- c. North Central Bank v. Don L. Gibson and D.O.T. Rail Service, Inc.
Putnam County, Illinois Circuit Court 06-L-3
Attorney: Aplington, Kaufman, et al (815) 224-3200

The bank brought a replevin action against D.O.T. Rail Service, Inc. for equipment owned by Don L. Gibson and in the possession of D.O.T. Rail Service, Inc. A replevin hearing is scheduled for June 29, 2006.

- d. Granville National Bank v. D.O.T. Rail Service, Inc. and Don L. Gibson and Paula J. Mudge-Gibson
Putnam County, Illinois Circuit Court 06-L-4

The Bank brought suit on all loans of D.O.T. Rail Service, Inc. which were guaranteed by Don L. Gibson and Paula J. Mudge-Gibson. Paula J. Mudge-Gibson was served on June 9, 2006, therefore, no attorney has yet been retained for this action. Judgment by Confession was entered by the Court on June 8, 2006 against D.O.T. Rail Service, Inc., Don L. Gibson and Paula J. Mudge-Gibson. Answers must be filed by July 7, 2006 or the Judgment by Confession will be confirmed.

- e. Granville National Bank v. Don L. Gibson and Paula J. Mudge-Gibson
Putnam County, Illinois Circuit Court 06-L-6

The Bank brought suit against Don L. Gibson and Paula J. Mudge-Gibson as guarantors of D.O.T. Rail Service, Inc. loans (all loans are listed). Paula J. Mudge-Gibson was served on June 9, 2006, therefore, no attorney has yet been retained for this action. On June 8, 2006 a Temporary Restraining Order issued without notice to Don L. Gibson or Paula J. Mudge-Gibson and without bond restraining the sale of stock of D.O.T. Rail Service, Inc. The TRO is set for hearing on June 15, 2006.

- f. Illinois Department of Labor - Wage Claim No. 05-005617
Claimant: Don L. Gibson

Don L. Gibson brought a Motion to Continue the telephone hearing set for May 30, 2006.

- g. Claim - Juan & Gabriel Banuelos

Mr. and Mrs. Banuelos claim that they suffered personal injury and property damage to their vehicle when they proceeded through a railroad crossing on track leased by Central Illinois Railroad Company from Burlington Northern Santa Fe at 18th Street in Chicago, Illinois. They claim a pipe was sticking up from the crossing which caused this damage. Insurance company is handling.

- h. Claim - Raymond Fuchs

Mr. Fuchs claims under under-insured motorist of automobile policy for injuries received from accident December, 2003. Insurance is handling.

i. Claim - Michael Dalton

Mr. Dalton was injured in an automobile accident on July 9, 2004 driving a truck owned by D.O.T. Rail Service, Inc. At this time, Mr. Dalton has not brought action against D.O.T. Rail Service, Inc., his employer at that time.

j. Claim - Thomas Stowers

Mr. Stowers was injured in a derailment at City of Peoria while operating a trackmobile owned by Heartland Track Works, Inc. over track leased, in part by D.O.T. Rail Service, Inc. and, in part, by Central Illinois Railroad Company. Mr. Stowers is an employee of D.O.T. Rail Service, Inc. Insurance is handling.

k. Potential Claim - Carver Lumber

Carver Lumber is located along the track operated by Central Illinois Railroad Company under lease to D.O.T. Rail Service, Inc., in part, and Central Illinois Railroad Company, Inc., in part located in Peoria, Illinois. The City of Peoria, owner of the track, contracted for construction of a new Union Pacific track connection with Metroplex, a railroad contractor, such construction requiring a tear-up of track necessary to provide service to Carver Lumber. Completion of the new track connection was estimated at September or October. The new track connection was completed February, 2006. Carver Lumber incurred additional costs since construction began on the new connection as it has had to ship product and receive materials by truck as opposed to rail.

l. Claim - Tony Alvarez

Employee injured a finger on his right hand on June 13, 2006 when he fell back on it attempting to move ties.

2. Heartland Track Works, Inc.

- a. Granville National Bank v.Heartland Track Works, Inc. and Don L. Gibson and Paula J. Mudge-Gibson
Putnam County, Illinois Circuit Court 06-L-5

The Bank brought suit on all loans of Heartland Track Works, Inc. which were guaranteed by Don L. Gibson and Paula J. Mudge-Gibson. Paula J. Mudge-Gibson was served on June 9, 2006, therefore, no attorney has yet been retained for this action. Judgment by Confession was entered by the Court on June 8, 2006 against Heartland Track Works, Inc.. Answer must be filed by July 7, 2006 or the Judgment by Confession will be confirmed.

b. Claim - Thomas Stowers

Mr. Stowers was injured in a derailment at City of Peoria while operating a trackmobile owned by Heartland Track Works, Inc. over track leased by Central Illinois Railroad Company. Mr. Stowers is an employee of D.O.T. Rail Service, Inc. Insurance is handling.

3. D.O.T. Rail Service of Indiana, Inc.

No disclosures to be made.

4. Central Illinois Railroad Company

- a. Central Illinois Railroad Company and The Standard Companies, Inc. and George Bonomo and Rose Bonomo
Cook County, Illinois Circuit Court #05L1770
Attorney: Clausen Miller, P.C. (312) 855-1010
Richard Strawbridge

The Standard Companies, Inc. owns a building in Chicago that caught fire November 14, 2003. This building is held in trust and the trust beneficiaries are George Bonomo and Rose Bonomo. The spread of this fire caused damage to the track structure leased by Central Illinois Railroad Company from Burlington

Northern Santa Fe Railroad. Central Illinois Railroad Company joined suit with Hico Flex against the owner of the building and the beneficiaries of the trust in which the building is held, for damages.

- b. Pioneer Industrial Railway Co. and D.O.T. Rail Service, Inc., Central Illinois Railroad Company, City of Peoria, Illinois and Village of Peoria Heights
LaSalle County, Illinois Circuit Court #05-L-146
Attorney: Aplington, Kaufman et al (815) 224-3200

Patrick A. Barry

Plaintiff operated over track owned by City of Peoria pursuant to a lease. City of Peoria ordered Plaintiff to cease operations and ordered Central Illinois Railroad Company to begin its operations over the subject track after Surface Transportation Board ruling. Plaintiff is alleging breach of contract; interference with a contract; etc. Answer to be filed by D.O.T. Rail Service, Inc. and Central Illinois Railroad Company by June 20, 2006.

c. Surface Transportation Board - Discontinuance of Service Exemption in Peoria County, Illinois

Washington, DC #AB10660X
Attorney: Thomas McFarland (312) 236-0204

Central Illinois Railroad Company brought a Petition for Discontinue of Service Exemption over a 6.29-mile segment of a rail line on the Kellar Branch in Peoria, Illinois. The City of Peoria desires to remove the track located within the segment and convert it to a bike trail. On December 23, 2005, the Surface Transportation Board issued its ruling granting Central Illinois Railroad Company its exemption.

January 3, 2006 Carver Lumber Company, a customer who was being serviced using the Kellar Branch, filed a request to the Surface Transportation Board that it reconsider its ruling granting Central Illinois Railroad Company its exemption.

January 24, 2006 Pioneer Industrial Railway Company, the shortline who operated the track in question before Central Illinois Railroad Company, filed a Petition to Reopen the Surface Transportation Board's decision to grant Central Illinois Railroad Company the exemption.

It is our understanding that the Surface Transportation Board issued a stay of its decision to grant Central Illinois Railroad Company its petition exempting the 6.29-mile segment of the Kellar Branch from service.

Pioneer Industrial Railway Company filed an appeal of the Surface Transportation Board ruling with the United States Court of Appeals for the District of Columbia Circuit, #06-1019.

d. Claim - Juan & Gabriel Banuelos

Mr. and Mrs. Banuelos claim that they suffered personal injury and property damage to their vehicle on June 29, 2005 when they proceeded through a railroad crossing on track leased by Central Illinois Railroad Company from Burlington Northern Santa Fe at 18th Street in Chicago, Illinois. They claim a pipe was sticking up from the crossing which caused this damage. Insurance company is handling.

f. Claim - Raymond Fuchs

Mr. Fuchs claims under under-insured motorist of automobile policy for injuries received from accident December, 2003. Insurance is handling. Mr. Fuchs was performing work for Central Illinois Railroad Company at the time of this accident.

h. Claim - Thomas Stowers

Mr. Stowers was injured in a derailment at City of Peoria while operating a trackmobile owned by Heartland Track Works, Inc. over track leased by Central Illinois Railroad Company. Mr. Stowers is an employee of D.O.T. Rail Service, Inc. Insurance is handling.

i. Potential Claim - Carver Lumber

Carver Lumber is located along the track operated by Central Illinois Railroad Company under lease to D.O.T. Rail Service, Inc., in part, and Central Illinois Railroad Company, Inc., in part located in Peoria, Illinois. The City of Peoria, owner of the track, contracted for construction of a new Union Pacific track connection with Metroplex, a railroad contractor, such construction requiring a tear-up of track necessary to provide service to Carver Lumber. Completion of the new track connection was estimated at September or October. The new track connection was completed February, 2006. Carver Lumber incurred additional costs since construction began on the new connection as it has had to ship product and receive materials by truck as opposed to rail.

j. Claim - Javier Vazquez and/or Fore Transportation

February 18, 2005 a semi-tractor driven by Javier Vazquez proceeded through a railroad crossing at Hayne Street under

lease by Central Illinois Railroad Company from Burlington Northern Santa Fe Railway as a locomotive owned by D.O.T. Rail Service, Inc. and operated by Central Illinois Railroad Company approached the crossing. Insurance is handling.

The week beginning June 12, 2006, we received notice from counsel for Fore Transportation that they will be bringing suit against D.O.T. Rail Service, Inc.

SCHEDULE 7.10

EVENT OF DEFAULT

Reference is made to Schedule 7.4

SCHEDULE 7.11

ADVERSE CIRCUMSTANCES

Reference is made to Schedules 7.4, 7.9 and 7.12.

SCHEDULE 7.12

ENVIRONMENTAL LAWS AND HAZARDOUS SUBSTANCES

Reference is made to Schedules 3.z.iv and 3.z.v of the Purchase Agreement, which contain the following information:

Above-Ground Storage Tanks

D.O.T. Rail Service, Inc. inventory material yard on Route 71 West.

D.O.T. Rail Service, Inc. equipment shop at McCoy Street and
Route 71.

Ties containing creosote are stored at the material inventory yard at Route 71 West.

Oxygen and acetylene are used in the construction process.

Diesel fuel is stored in above-ground tanks at the yard.

D.O.T. Rail Service, Inc. employees handle and transport ties, fuel, oxygen and acetylene to and from the material yard and job sites.

Ties are disposed of in an approved landfill.

SCHEDULE 7.13

SOLVENCY, ETC.

No disclosure

SCHEDULE 7.14

ERISA OBLIGATIONS

No disclosure

SCHEDULE 7.15

LABOR RELATIONS

No disclosure

SCHEDULE 7.16

SECURITY INTEREST

No disclosure

SCHEDULE 7.17

LENDING RELATIONSHIP

No disclosure

SCHEDULE 7.18

BUSINESS LOAN

No disclosure

SCHEDULE 7.19

TAXES

No disclosure

SCHEDULE 7.20

COMPLIANCE WITH REGULATION U

No disclosure

SCHEDULE 7.21

GOVERNMENTAL REGULATION

No disclosure

SCHEDULE 7.22

BANK ACCOUNTS

To come

SCHEDULE 7.23

PLACE OF BUSINESSES

Corporate Offices. The corporate offices are located at 11801 East 1250th Street, Granville, Illinois dated March 15, 2002 (the "corporate offices")

Location of Collateral. The Collateral is located at the following locations:

1. Route 71 West, Hennepin, Illinois.
2. Route 71 and McCoy Street, Granville, Illinois
3. The Corporate Offices

[SCHEDULE 7.24

COMPLETE INFORMATION

No disclosure]

[SCHEDULE 7.25

SUBORDINATED DEBT

No disclosure]

SCHEDULE 7.26

REPRESENTATIONS AND WARRANTIES IN THE PURCHASE AGREEMENT

Reference is made to the "Disclosure Schedules" as defined in and attached to the Purchase Agreement.

Exhibit B
Extract from AccuVal Valuation Appraisal
Machinery & Equipment

Qty. Effective Date: May 30, 2006

1- Tamper Model Tr-1 Railroad Tie Exchanger, S/N 5580304, (1984); Production Type, 7 to 9 Ties/Minute Operating Speed, Hydraulic 9.5 Ton Extraction Capacity; with Diesel Engine; Hydraulic Power Units; and Operator Cab

1- Nordberg Model B Rail Spike Driver, S/N 550; (Estimated Mid 1980s); Hours Not Available, Hydraulic, Dual Position, Manual Feed; with (2) 2-position spiker guns; Diesel Engine; and Onboard Hydraulic Power Unit

1- Pandrol Jackson Model 925 Railroad Tie Exchanger, S/N 139228; (Estimated Early 1990s); 6,695 Hours Indicated Multiple Stroke, Hydraulic, 9.5 Ton Extraction Force; with Diesel Engine; and Hydraulic Power Unit

1- Nordberg Model A Rail Spike Driver, S/N 376, (1984); Hours Not Available, Hydraulic, Dual Position, Manual Feed, Hours Not Available; with (2) 2-position Spiker Guns; Diesel Engine; and Onboard Hydraulic Power Unit

1- Nordberg Model B Rail Spike Driver, S/N 125; Hydraulic, Dual Position, Manual Feed; Hours Not Available; with (2) 2-Position Spiker Guns; Diesel Engine; and Onboard Hydraulic Power Unit

1- Kershaw Model 34-3 Scarifier/Inserter, S/N 254; Hours Not Available, Hydraulic; with Diesel Engine; and Hydraulic Power Unit

1- Fairmont Model W-113 Rail Spike Puller, S/N Unknown; Hours Not Available, Dual Head, Hydraulic; with Diesel Engine; and Hydraulic Power Unit

1- Pandrol Jackson Model 925 SS Railroad Tie Exchanger, S/N 137145; (Estimated Early 1990s); Hours Not Available, Single Stroke, Hydraulic, 9.5 Ton Extraction Force; with Diesel Engine; and Hydraulic Power Unit

1- Pandrol Jackson Model WT7000 PJ93513 Rail Spike Driver, S/N 93513; Rail Mount, Diesel Engine; with Integrated Hydraulic Power Unit

1- Pandrol Jackson Model 5500 Ballast Regulator, S/N 139317; (Estimated Early 1990s); 8,782 Hours Indicated; with Front-Mounted Track Bed V-Plow; Hydraulic Supports; Outboard Side Trim Plows, Winch Deployed; Rear-Mounted 9' Stone Broom, with Stone Shield; Onboard Diesel Engine; and Hydraulic Power Unit

1- Tamper Model TR-10/111 Railroad Tie Exchanger, S/N 5590930, Asset #TE-525/XR-90, (1992); 3,147 Hours Indicated, Production Type, 7 to 9 Ties/Minute Operating Speed, Hydraulic, 9.5 Ton Extraction Capacity; with Diesel Engine; Hydraulic Power Units; Tie Magazine; and Climate Controlled Operator's Cab

- 1- Little Giant Model 34TXR 34-Ton Mobile Crane, S/N TX8510, Asset #BNX1500063, (1985); 4,123 Hours Indicated, 5,445 Miles Indicated, Telescoping Boom, Rail Service; with Hy-Rail System
- 1- Fairmont Flatbed Railcar; Model and S/N Unknown; 16'L x 6'W Car Size
- 1- Kershaw Model 12-4 Tie Handling Crane, S/N 12-688-85, Asset #TH-170, (1985); Hours Not Available, Hydraulic, Single Head, Railcar Mounted; with Diesel Engine; and Hydraulic Power Unit
- 2- Geismar Model BSR-8 Rail Tie Bolt Machines, S/N 34895; 12,000 and S/N 34524, (2003); Portable; Each with Gasoline Engine
- 1- Pandrol Jackson Model TKO 6100 Railroad Tie Exchanger, S/N TKO-694-3207, Asset #TI-258, (1994)
- 1- Nordberg Model A Rail Spike Driver, S/N 110; Hours Not Reported; with Diesel Engine; and Hydraulic Power Unit
- 1- Pandrol Jackson Model 5500 Ballast Regulator, S/N 139316; (Estimated Early 1990s); 6,320 Hours Indicated; with Front-Mounted Track Bed V-Plow; Hydraulic Supports; Outboard Side Trim Plows, Winch Deployed; Rear-Mounted 9' Stone Broom, with Stone Shield; Onboard Diesel Engine; and Hydraulic Power Unit
- 1- EMD Model SW1200 Diesel Locomotive, Asset #DRSX 1202, 1,200 hp; (Estimated Late 1950s/Early 1960s); FRA Inspected & Certified, 26-L Braking System, MU Capable; with D15 Main Generator; 10-kW Auxiliary Generator; ARR Control Stand; Cab Radio; Ditch Lights; and Kim Holstart Kit
- 1- EMD Model SW1200 Diesel Locomotive, Asset #DSRX 1210, 1,200 hp; (Estimated Late 1950s/Early 1960s); 26-L Braking System, MU Capable; with D15 Main Generator; 10-kW Auxiliary Generator; ARR Control Stand; Cab Radio; Ditch Lights; and Kim Hotstart Kit
- 1- EMD Model SW1200 Diesel Locomotive, Asset #DRSX 1211, 1,200 hp; (Estimated Late 1950s/Early 1960s); Remote Controlled, 26-L Braking System; with D15 Main Generator; 10-kW Auxiliary Generator; and ARR Control Stand
- 1- Geismar Rail Tie Bolt Machine; Portable, Estimated 3' Drive Length; with Estimated 7.5 hp Gasoline Engine
- 1- Specially Manufactured Railcar; Utility Rail, 8'W x 15'L Curb Side, Dual Wheel; with Wire Meshing Decking
- 1- Pandrol Jackson Model 925 Railroad Tie Exchanger, S/N 146352; Hydraulic, Rail Riding, Single Tie; with Single Insertion and Extraction Station; Onboard Diesel Engine; and Operator Control Position
- 1- Specially Manufactured Railcar, Asset #0401; 8'L x 6'W Curb Side, Dual Axel

1- Kershaw Model 26-2-1 Ballast Regulator, Asset #BR-622; S/N 28-1428/50337001/3-D-0173533 2360; (Estimated Mid to Late 1980s); Rail Riding; with Front-Mounted Track Bed V-Plow; Hydraulic Supports; Outboard Side Trim Plows, Winch Deployed; Rear-Mounted Stone Broom, with Stone Shield; Onboard Diesel Engine; and Hydraulic Power Unit

1- Kershaw Model 12-2 1,200Lb. Tie Handling Crane S/N 12-436, Asset #TH-107, (1977); Hours Not Available, Hydraulic, Single Head, Railcar Mounted; with Diesel Engine; and Hydraulic Power Unit

1- EMD Model SW1200 Diesel Locomotive, Asset #DRSX 1207, 1,200 hp; (Estimated Late 1950s/Early 1960s); FRA Inspected & Certified, 26-L Braking System, MU Capable; Each with D15 Main Generator; 10-kW Auxiliary Generator; ARR Control Stand; Cab Radio; Ditch Lights; and Kim Hotstart Kit

2- EMD Model SW1200 Diesel Locomotives, Asset #DRSX 1208; and Asset #DRSX 1209, 1,200 hp; (Estimated Late 1950s/Early 1960s); FRA Inspected & Certified, 26-L Braking System, MU Capable; Each with D15 Main Generator; 10-kW Auxiliary Generator; ARR Control Stand; Cab Radio; Ditch Lights; and Kim Hotstart Kit

1- EMD Model SW1500 Locomotive, Asset #DRSX 1203, 1,500 hp; (Estimated Late 1950s/Early 1960s); 26-L Braking System, MU Capable; with D15 Main Generator; 10-kW Auxiliary Generator; ARR Control Stand; Ditch Lights; and Kim Hotstart Kit

1- EMD Model SW1000 Remote-Controlled Locomotive, Asset #DRSX 1005, 1,000 hp; (Estimated Late 1950s/Early 1960s); 26-L Braking System; with D15 Main Generator; 10-kW Auxiliary Generator; and ARR Control Stand

1- EMD Model SW1200 Diesel Locomotive, Asset #DRSX 1204, 1,200 hp; (Estimated Late 1950s/Early 1960s); Remote Controlled, 26-L Braking System; with D15 Main Generator; 10-kW Auxiliary Generator; and ARR Control Stand

1- EMD Model SW1200 Locomotive, Asset #DRSX 1206, 1,200 hp; (Estimated Late 1950s/Early 1960s); 26-L Braking System, MU Capable; with D15 Main Generator 10-kW Auxiliary Generator; ARR Control Stand; Ditch Lights; and Kim Hotstart Kit

Miscellaneous Equipment

1- Transfer Caboose, S/N CR 18217

1- Bert Pyke Tie Handling Crane, S/N 8416, (1984)

1- Nordberg Model Super B Rail Spike Driver, S/N 697-61

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SCOTT & KRAUS, LLC

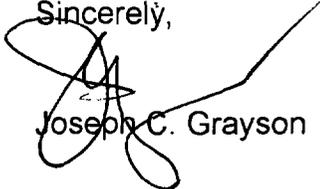
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August 30, 2006

Surface Transportation Board:

I, the undersigned, as filer of the Loan and Security Agreement dated August 18, 2006 hereby certifies that I have compared the copy with the original agreement and have found the attached to be a complete and identical copy with all respects to the original document. I declare under penalty of perjury that the foregoing is true and correct.

Sincerely,



Joseph C. Grayson